



鞍 鋼 股 份 有 限 公 司  
ANGANG STEEL COMPANY LIMITED\*

Stock Code: 00347

# 2019

Interim Report



# Contents

Important Notice and Definitions	2
Corporate Profile	4
Summary of Accounting Figures and Financial Indicators	6
Overview of the Company's Business	9
Report of the Board of Directors	15
Significant Matters	44
Movements in Share Capital and Shareholdings of Substantial Shareholders	72
Information on Directors, Supervisors and Senior Management	80
Financial Report	83
Documents Available for Inspection	288

# Important Notice and Definitions

## IMPORTANT NOTICE

The Board of Directors (the “Board”), the Supervisory Committee, the Directors and the Supervisors and the senior management of the Company confirm that there are no false representations or misleading statements contained in, or material omissions from, this interim report, and jointly and severally assume responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Mr. Wang Yidong, the Chairman of the Company, Mr. Ma Lianyong, Chief Accountant and the person-in-charge of accounting as well as Mr. Gong Jin, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

The 2019 interim financial report of the Company is unaudited.

The 2019 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises of the PRC.

## DEFINITIONS

In this interim report, the following expressions shall have the following meanings unless the context indicates otherwise:

Term	Meaning
“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“Group”	Angang Steel Company Limited* (鞍鋼股份有限公司) and its subsidiaries
“Angang Holding”	Anshan Iron & Steel Group Co. Ltd.
“Angang”	Anshan Iron and Steel Group Corporation* (鞍鋼集團有限公司)
“Angang Group”	Anshan Iron and Steel Group Corporation* (鞍鋼集團有限公司) and its subsidiaries held by it as to 30% or more (excluding the Group)



“ANSC-TKS”	ANSC-TKS Automobile Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司)
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Angang Chaoyang”	Angang Group Chaoyang Iron & Steel Company Limited*(鞍鋼集團朝陽鋼鐵有限公司)
“Bayuquan Iron & Steel Branch Company”	Bayuquan Iron & Steel Branch Company* (鮫魚圈鋼鐵分公司) of Angang Steel
“Director”	the directors of the Company
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd* (攀鋼集團釩鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Group Steel Vanadium & Titanium Co., Ltd* (攀鋼集團釩鈦資源股份有限公司) and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China (for the purpose of this report, excluding Hong Kong and Macau Special Administrative Region)
“Reporting Period”	1 January 2019 to 30 June 2019

## I. CORPORATE INFORMATION

Stock Exchange of Listing	Shenzhen Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(A share) 000898
Stock Exchange of Listing	Hong Kong Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(H share) 00347
Chinese Name of the Company	鞍鋼股份有限公司		
Chinese Name Abbreviation	鞍鋼股份		
English Name of the Company	Angang Steel Company Limited		
English Name Abbreviation	ANSTEEL		
Legal Representative of the Company	Wang Yidong		

## II. CONTACT PERSONS AND CONTACT METHODS

	聯席董事會秘書		證券事務代表
Name	Ma Lianyong	Chen Chun	Jin Yimin
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878 0412-6722156	00852-3912 0863	0412-8417273 0412-6751100
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E-mail	mly@ansteel.com.cn	jessica.chen@swcsgroup.com	ansteel@ansteel.com.cn



### **III. OTHER INFORMATION**

#### **1. Contact methods of the Company**

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to the 2018 Annual Report of the Company for details.

#### **2. Information disclosure and place for inspection**

There was no change in Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to the 2018 Annual Report of the Company for details.

#### **3. Other relevant information**

There was no change in other relevant information during the Reporting Period.

# Summary of Accounting Figures and Financial Indicators

## I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Unit: RMB million

	During the Reporting Period (from January to June)	Corresponding period of the previous year		Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year
		Before adjustment	After adjustment	After adjustment (%)
Operating income	51,074	46,882	50,862	0.42
Net profit attributable to the shareholders of the Company	1,425	3,499	4,441	-67.91
Net profit attributable to the shareholders of the Company after deduction of non-recurring items	1,367	3,517	3,517	-61.13
Basic earnings per share (RMB/share)	0.152	0.484	0.472	-67.80
Diluted earnings per share (RMB/share)	0.146	0.481	0.471	-69.00
Returns on net assets on weighted average basis (%)	2.70	6.79	8.17	Decreased by 5.47 percentage points
Net cash flow from operating activities	3,765	1,907	2,411	56.16

	As at the end of the Reporting Period	As at the end of the previous year		Increase/decrease at the end of the Reporting Period as compared with the corresponding period of the previous year
		Before adjustment	After adjustment	After adjustment (%)
Total assets	89,348	90,024	90,024	-0.75
Owners' equity (or shareholders' equity) attributable to the shareholders of the Company	51,759	51,962	51,962	-0.39



*Notes:* Reason for retrospective adjustments:

- (1) The Company acquired Angang Chaoyang through business combination under common control on 30 September 2018. The relative financial data of previous years have been retrospectively adjusted in accordance with the Accounting Standards for Business Enterprises of the PRC;
- (2) The Company implemented the profit distribution for 2018 on 28 June 2019 and issued shares to all shareholders by way of capitalisation of capital reserve, on the basis of three(3) capitalisation shares for every ten(10) existing shares, with share capital changed from 7,235 million shares to 9,405 million shares. As a result, the basic and diluted profit per share (adjusted) for the corresponding period of previous year are calculated based on the increased share capital.

Total share capital of the Company as at 29 August 2019:

Total share capital of the Company ( <i>shares</i> )	9,405,250,201
Fully diluted earnings per share calculated based on the latest share capital ( <i>RMB/share</i> )	0.152

## II. NON-RECURRING ITEMS:

No.	Item	Effect on profit (RMB million)
1	Gains/losses from disposal and retirement of non-current assets	-19
2	Government subsidies (except for government subsidies which are closely related to the Company's operations and received in fixed amount or quantity in conformity with the standards of the State) recorded into to gains or losses for the period	37
3	Changes in fair value of financial assets held for trading	10
4	Changes in fair value of other non-current liabilities (part of derivative financial instruments)	47
5	Other non-operating income and expenses apart from those stated above	3
6	Subtotal	78
7	Less: Effect on income tax	20
8	Effect of extraordinary gains and losses on net profit	58

*Note:* For non-recurring items, "+" refers to gains or incomes, "-" refers to losses or expenses.

Explanations for the Company's extraordinary gain or loss items as defined in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses, and the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses which have been defined as its recurring gain or loss items.

Applicable       Not applicable



## I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

As a large national enterprise for manufacture and sales of iron and steel, the Company is principally engaged in ferrous metal smelting and steel pressing and processing as well as the sales of related products and provision of related services.

At present, the Company has three production bases in Anshan, Yingkou and Chaoyang, and processing, distribution or sales service agencies in Dalian, Tianjin, Guangzhou, Shanghai, Shenyang, Wuhan, Hefei and Zhengzhou, etc. and conducts international operations through Angang Group's overseas sales offices.

The Company possesses the comprehensive processes for production of iron and steel including coking, sintering, ironmaking, steel-making, steel rolling, railway transportation, energy power and ancillary facilities, and a relatively complete logistics, trade, steel processing service industry chain. The main facilities have reached modern advanced level. The production structure is diversified and it has a relatively complete production series including hot rolled sheet, medium and thick plates, cold rolled sheets, galvanized steel sheets, color coating plates, cold rolled silicon steel, heavy rails, heavy section, seamless steel pipes and wire rods. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical industry, coal, electric power, railway, shipbuilding, automobile, construction, home electrical appliances and aviation.

The series of steel products with high-tech characteristics made by the Company including steel for shipbuilding, railway, automobile, nuclear power, petroleum and petrochemicals, home electrical appliances and container have ranked among famous brand products. The Company's research and development on new types of steel products for vessel plate and railway steel rail as well as technologies for manufacture of steel rail has reached international advanced level. The technology for the series products of high-strength thick pipeline steel for undersea high-pressure oil and gas pipeline delivery was industry-leading. Moreover, the Company established the first national key laboratory for metallic material of marine equipment and its application.

## II. MATERIAL CHANGES OF MAJOR ASSETS DURING THE REPORTING PERIOD

There was no material change in the major assets of the Company during the Reporting Period.

## III. ANALYSIS ON THE CORE COMPETITIVENESS

### 1. Production organization capacity

Adapting to the continuous mass production system, the management has excellent control ability to maintain stable and smooth production and the staff has high professional quality.

### 2. Technical and equipment capabilities

The headquarter in Anshan has been continuously updating and reforming. At present, the main production processes and technologies such as coking, sintering, ironmaking, steelmaking, continuous casting and steel rolling have reached the domestic advanced level as a whole. The rapid selection technology of coking coal, low-cost blast furnace ironmaking technology, ultra-pure steel production technology, defect-free continuous casting slab production technology as well as the 1,700mm medium and thin slab continuous casting and rolling coil production technology, self-integrated cold rolling wide strip production technology, self-developed and applied cold rolling mill shape control system core technology have all reached the internationally advanced level. The main part of the headquarter in Anshan is equipped with modern and large-scale equipment, and it has rich experience in the construction and construction management of iron and steel plants.

Bayuquan Iron & Steel Branch Company has advanced processing equipment and technology, with its leading main technical indexes in China. The hot rolling technology of 1,580mm hot rolling plate production line is internationally advanced and the 5,500mm wide and thick plate production line is currently one of the largest wide and thick plate mills in the world.



## III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

### 2. Technical and equipment capabilities (Continued)

Chaoyang Iron and Steel has public and auxiliary facilities and equipment in relation to energy power, coking, sintering, iron making, steel making, steel rolling, and raw material storage and railway transportation. It has an annual production capacity of 2 million tons of fine plates.

### 3. Technological innovation and product development ability

The Company's steel products are complete in types and specifications, and have certain differentiation advantages. Its brand has high popularity and credibility, and has strong advantages in providing supporting services to customers.

It has relatively strong strength in plate products, and has a leading position in producing automotive steel plates, home appliance plates and container plates. It can stably produce high-grade surface cold-rolled and galvanized automobile steel plates for automobile outer covers. The railway steels, container steels and shipbuilding plates won the title of "China Famous Brand Products".

Two types of products, namely the hull structural steels and ultra-deep drawing cold-rolled automobile steels, won the Excellent Quality Award; 81 types of products such as container hot-rolled steel plates and steel strips, hot-rolled acid pickling plates, hot-rolled seamless steel tubes for oil cylinders, wire rods for steel cords, EDC hot-rolled wire rods won the title of the "Gold Cup Award for Physical Quality of Metallurgical Products".

## III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

### 3. Technological innovation and product development ability (Continued)

The Company's comprehensive research and development strength leads the iron and steel industry. The TWIP1180HR hot coil and other new products produced by the full process technology were launched, demonstrating and leading the world's production of advanced high-strength steels in the high manganese steel series; the QP1400 cold-rolled high-strength automobile steel plates witnessed its world debut in Angang Shengang Cold Rolled High Strength Automobile Steel Plates Company, further consolidating Angang Steel's leading position in domestic automobile steel manufacturing. The Company's ultra-high strength marine steel is qualified and capable of supplying to the world's top drilling platforms. It has also become the world's first enterprise with the supply capacity of Cr-Mo steel plates for over 5m ultra-wide pressure vessels. The longitudinal variable thickness weatherproof LP steels are exclusively used in batch in bridge engineering. The 4,000mm ultra-wide nuclear grade duplex stainless steel plates S32101 were successfully developed, filling in the gap of our country regarding special steels and reaching the world leading level. The Company successfully won the bid for 18MND5 plates for Ningde 6# injection box of Hualong No.1 nuclear power unit. This type of steels is domestically made for the first time to replace imports and has filled the domestic gap. The railway vehicle weather-resistant steels can be provided in all kinds of specifications, and the power car bogies lead the development of the industry. The successful development of wide-width martensitic stainless steels 4Cr13 for corrosion-resistant dies fills the blank of large martensitic stainless steel plates in China. High strength LX86B cord steels have the same quality as POSCO's similar products. In 2018, a total of 25 projects including the research and production technology development of high manganese high toughness medium and thick plates for offshore platforms and the "titanium/steel" composite plates-industrial trial production and stabilization of high manganese steel medium and thick plates were included in the first batch of scientific research projects in the National Key Research and Development Plan.



### III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

#### 4. Technology leading ability

After years of research and development, the Company has mastered a number of key, leading, basic and cutting-edge technologies, and has rich technical foundations. The progress regarding intellectual property rights marked by patent applications, number of licenses and number of know-hows are in the “first echelon” in the metallurgical industry; it takes an important role in modification of national standards and industry standards. Many achievements in intellectual property rights have been made in the fields of pre-ironmaking and iron and steel smelting systems, iron and steel products, environmental resources, etc. A number of invention patents such as “A Low Alloy Sulfuric Acid Dew Point Corrosion Resistant Steel Plates and Related Manufacturing Method”, “A High Strength Cold Rolled Hot Dip Galvanized Dual Phase Steel Plates and Related Manufacturing Method” won the 18th China Patent Excellence Award, and a large number of achievements such as the “New-generation Controlled Rolling and Controlled Cooling Technology and Its Application” won national, industrial, provincial and municipal awards.

### III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

#### 5. Corporate culture integration ability

The Company abounds in heroic figures like Meng Tai, Lei Feng, Wang Chonglun as well as advanced models in the new period including Guo Mingyi and Li Chao, and they have become role models for the public. In the long history of development, the Company has established a profound corporate culture with “Innovation, Factualism, Hard Working and Contribution” as its core, which plays an irreplaceable role in uniting the teams and making concerted efforts. Its extensive and profound corporate culture generalizes, extracts and sublimates the spirits of generations of Angang people, has rich connotation and broad denotation, and demonstrates the Chinese traditional virtues and the fine work styles of the working class in the PRC. Angang is the birthplace of the “Angang Constitution” which is praised as the fundamental law for running socialist enterprises. In 2017, Angang Group’s Cultural Charter was issued. The Angang Cultural Charter is a value concept condensed in the process of long-term production, operation, reform and development. It is the common value orientation and spiritual pursuit of all the employees, and also serves as an action guide for Angang’s sustainable development. A new model of corporate culture and work has been formed, which is internalized in thought, solidified in system, externalized in behavior, materialized in products and beautified in image. In the new period, the corporate culture has been continuously enriched the connotation of the new era, providing strong cultural support and spiritual impetus for the realization of the Company’s construction of a new pattern of revitalization and development with the distinctive features of dominant culture, innovative culture, competitive culture and harmonious culture.



## (I) OVERVIEW

In the first half of 2019, the year-on-year decrease of steel prices and significant year-on-year increase of iron ore prices in domestic market severely squeezed the profit-making space of steel and iron enterprises. Against the austere situation, the Company's focusing on three key elements, efficiency, quality and reform, was to strive for expansion of production scale, enhance lean production management, improve product mix, while accelerating the innovation in technology.

In the first half of 2019, the Group achieved an operating income of RMB51,074 million, representing an increase of 0.42% over the corresponding period of the previous year. The total profit reached RMB1,846 million, representing a decrease of 65.97% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB1,425 million, representing a decrease of 67.91% over the corresponding period of the previous year. The basic earnings per share was RMB0.152, representing a decrease of 67.80% over the corresponding period of the previous year.

### 1. **Stabilizing the growth of production and reducing costs to vigorously improve operating efficiency**

During the Reporting Period, the Group produced 12,976,000 tons of iron, representing an increase of 4.66% over the corresponding period of the previous year; 13,696,900 tons of steel, representing an increase of 4.86% over the corresponding period of the previous year; and 12,742,000 tons of rolled steel, representing an increase of 7.32% over the correspond period of the previous year. Sale of rolled steel amounted to 12,472,700 tons, representing an increase of 7.28% as compared with the corresponding period of the previous year. The Group achieved a sales-output ratio of 97.89%.

In the first half of the year, by strengthening the coordination among the three regions and three lines, namely the headquarter in Anshan, Bayuquan and Chaoyang, promoted the concurrent development of "coke, iron and steel" of the Company production, and achieved a stable and efficient production as a whole.

The Company was developing a new crucial system for reducing cost with respect to material flow, energy flow and cost flow. Pursuing cost effective procurement and material life cycle management was designated to increase the ratio of online procurement for stable supply of quality materials. Multimodal transportation of railway, road and sea and the action of lowering logistics amount further reduced the logistics cost per ton of steel. The Company enhanced the recycling of residual heat and energy, and increased the speed of constructing key energy projects besides optimizing the operation of energy systems. In the first half of the year, the cost of outsourcing energy, comprehensive energy and fresh water consumption for each ton of steel reached the best level in history.

## (I) OVERVIEW (CONTINUED)

### 2. **Converging momentum and promoting transformation to hasten growth of diverse industries**

The main business of iron and steel achieved a steady development. The Company based on the standards of domestic iron and steel enterprises in the industry to learn their sophisticated experience, so as to plan for the future development of Bayuquan base. More efforts having been put, the upgrading of equipment in production lines accelerated with respect of product adjustment and quality improvement, energy conservation and environmental protection, green production and intelligent manufacturing.

Relevant industries were accelerated for growth. The Company was rapid at developing the energy technology industry by steadily promoting the sales of steam of Kerry Oils & Grains, acquisition of secondary hydrogen and hydrogen pressuring stations. It also was active in promoting technological innovation by intensifying the development and utilization of hydrogen energy. Projects in the clean power generation industry progressed fast with the 180MW CCGT project being expected to be commissioned for official run in October. The industrial layout of chemical technology was fine-tuned while the industry chain of chemical technology products was extended. The projects of needle cokes and carbon microspheres being completed as to their main constructions and ready for commissioning, marked an important step forward for Angang to tap into new carbon materials and to accelerate transformation and upgrading of the chemical industry. Speedy layout was witnessed in the high-end auto parts industry as the projects including small-caliber and thick-wall precision pipe-making and thermoforming were steadily carried out.



## (I) OVERVIEW (CONTINUED)

### 3. **Focusing on reform and innovation to stimulate the dynamic of development**

Market-oriented operation mechanism was becoming increasingly perfect. The scope of contracted operations was expanded by including three medium and thick plates production lines and universal lines in large-sized plants into being contracted. The Company promoted market-driven management of external companies and contractual management of operating companies. Such reforms were carried out in respect of demutualization of the equipment and material procurement centers, market-oriented operation of the raw fuel procurement centers, and reduction of the energy management control centers. A differentiated performance evaluation system was being established.

Intelligent manufacturing was sped up. The Company promoted the construction of information and intelligence-based projects, and steadily implemented the transformation integration of production and sales, and big data analysis of the full process quality.

The development was led by technological innovation. More efforts were endeavored on product research and development, DP980-LITE was developed and launched as the world's first light dual phase steel. 2000MPa-grade bainite wear-resistant steel boasting of the highest strength has filled in the blank of Angang in the field of super-strength wear-resistant steel.

## (I) OVERVIEW (CONTINUED)

### 4. Improving quality and building brands to enhance core competitiveness

The product quality was improved. In order to fully implement the three-year quality improvement plan and promote quality and efficiency upgrading in key areas and of key varieties, the Company invested more special-purpose funds in continuing with key quality projects. First-pass ratio of billets, first-pass ratio of steels and comprehensive yield rate of steels were significantly higher than those in 2018. The proportions of new products, leading unique products and strategic products and their market shares continued to increase.

Brand building strategy was executed. The “1+4+N” marketing model was improved and a coordinated platform for automobile steel was established to deepen presence in the Northeast China. Through identifying key engineering projects, the Company has successfully bid for the pile foundation of Shenzhen-Zhongshan Bridge, Datang Wind Power Plant, Jinhai Bridge project, and the project of diverting water from the Yangtze River to Huaihe River. The Company strengthened brand promotion by participating in the 19th China International Metallurgical Industry Exhibition and other large-scale exhibitions. High Performance Steels for Super Large Container Ships won the Award for Product Development and Market Development of the China Iron and Steel Industry in 2018. Customer demand was archived and by making full use of information technology, a rapid response mechanism was established to quickly address users’ concerns on quality defect and delivery time. The major customer experience indicators system was perfected, under which 12 customer experience quantitative indicators were determined, 84% of which was achieved. The Company won BYD Strategic Partner Award, Haier Excellent Supplier “Golden Rubik’s Cube” Award, Guangzhou Automobile Chuanqi Excellent Cooperation Award, etc.



## (I) OVERVIEW (CONTINUED)

### 5. Preventing risk and valuing environmental protection to enhance sustainability

The Company guarded against a variety of risks. It adhered to the principle of “reducing two types of amounts, increasing two kinds of rates, and operating with zero liability”. The Group’s gearing ratio decreased to 41.51% as at the end of June. Futures instruments were utilized to avoid market risk effectively. Activities themed with production safety month were carried out to strengthen the management of relevant parties, and pursue standard safety management.

Green manufacturing was implemented. The environmental plan was formulated for the period from 2018 to 2020, pursuant to which the construction of 47 environmental protection projects was promoted with every effort. Dust control in the plant area was further strengthened and none of major environmental pollution accident was recorded. A forest type green ecological chemical plant was commenced for construction.

## (II) ANALYSIS OF PRINCIPAL BUSINESSES

### 1. Overview

*Unit: RMB million*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	51,074	50,862	0.42	–
Operating costs	45,962	42,033	9.35	–
Marketing expenses	1,539	1,549	-0.65	–
Administrative expenses	615	524	17.37	–
Financial expenses	621	696	-10.78	–
Income tax expenses	422	989	-57.33	Mainly attributable to the decrease in total profit as compared to the corresponding period of the previous year.
Research and development expenses	214	145	47.59	Mainly attributable to increased efforts on the research and development of new products.
Net cash flow from operating activities	3,765	2,411	56.16	Net cash flow from operating activities increased by RMB1,354 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from sales of goods increased by RMB5,723 million; (ii) the cash payment for purchase of goods and services increased by RMB5,629 million as compared with the corresponding period of the previous year as a result of the rise in raw fuels price; (iii) tax payment decreased by RMB823 million during the Reporting Period as compared with the corresponding period of the previous year; and (iv) other cash payments related to operating activities decreased by RMB209 million as compared with the corresponding period of the previous year.

## (II) ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 1. Overview (Continued)

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from investing activities	<b>-1,588</b>	-818	-94.13	Net cash flow from investing activities decreased by RMB770 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from investment income decreased by RMB60 million as compared with the corresponding period of the previous year; (ii) the cash paid for acquisition of fixed assets and intangible assets increased by RMB643 million as compared with the corresponding period of the previous year; (iii) the cash payment for investment increased by RMB49 million as compared with the corresponding period of the previous year.
Net cash flow from financing activities	<b>-2,550</b>	374	-781.82	Net cash flow from financing activities decreased by RMB2,924 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from borrowings during the Reporting Period decreased by RMB3,373 million as compared with the corresponding period of the previous year; (ii) the cash payment for repayment of borrowings decreased by RMB379 million as compared with the corresponding period of the previous year; (iii) the cash payment for dividend distribution and interest payment decreased by RMB303 million as compared with the corresponding period of the previous year.

## (II) ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 1. Overview (Continued)

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net increase of cash and cash equivalents	-373	1,982	-118.82	Net increase of cash and cash equivalents decreased by RMB2,355 million as compared with the corresponding period of the previous year, mainly attributable to (i) the net cash flow from operating activities increased by RMB1,354 million as compared with the corresponding period of the previous year; (ii) the net cash flow from investing activities decreased by RMB770 million as compared with the corresponding period of the previous year; (iii) the net cash flow from financing activities decreased by RMB2,924 million as compared with the corresponding period of the previous year; and (iv) the effect of exchange rate fluctuation on cash flow decreased by RMB15 million as compared with the corresponding period of the previous year.

### 2. Whether there is any significant change in profit composition or sources of profit of the Company during the Reporting Period

During the Reporting Period, there was no significant change in profit composition or sources of profit of the Company.



## (II) ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 3. Composition of the principal businesses

Principal businesses of the Group by industry and product

Unit: RMB million

	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease in operating income as compared with the corresponding period of the previous year (%)	Increase/decrease in operating costs as compared with the corresponding period of the previous year (%)	Increase/decrease in gross profit margin as compared with the corresponding period of the previous year (percentage point)
<b>By industry</b>						
Steel pressing and processing industry	50,808	45,725	10.00	0.10	9.00	-7.35
<b>By product</b>						
Hot-rolled sheets products	15,387	13,142	14.59	-2.71	7.45	-8.07
Cold-rolled sheets products	16,359	15,093	7.74	-2.40	8.78	-9.49
Medium-thick plates	8,415	7,633	9.29	5.87	10.63	-3.91
<b>By geographical location</b>						
China	47,059	42,171	10.39	-1.56	7.21	-7.33
Export sales	3,749	3,554	5.20	26.96	35.91	-6.24

Note:

- (1) The operating income of hot-rolled sheets and cold-rolled sheets products decreased as compared with the corresponding period of the previous year, mainly due to lower product prices.
- (2) The operating income of medium-thick plates products increased as compared with the corresponding period of the previous year, mainly due to the increase in sales volume exceeding the decline in product prices.
- (3) The operating costs of full range of products increased as compared with the corresponding period of the previous year, primarily due to higher raw fuel prices.

## (II) ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 4. Liquidity and financial resources

As at 30 June 2019, the Group had long-term loans (exclusive of loans due within one year) of RMB2,744 million with interest rates ranging from 4.2892 to 4.75% per annum and terms ranging from 3 to 5 years. These loans, falling due in 2023, are mainly used for replenishing the working capital of the Group. The Group's long-term loans due within one year amounted to RMB103 million.

With good credit standing, the Group was reviewed and assigned a long-term credit rating of "AAA" by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) in 2019. The Group is able to repay its debts as they fall due.

As at 30 June 2019, the Group had a total capital commitment of RMB1,197 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed.

### 5. Foreign exchange risk

The Group carries out import and export agent trades through Angang Group International Economic and Trade Co., Ltd. for its main foreign currency transactions, including the export of sales products, import of raw materials for production and engineering equipment. Foreign currency risk is mainly reflected in the impact of changes in exchange rate when settling through agent on sales and procurement costs.

The Group has issued H-share convertible bonds in an aggregate amount of HK\$1.85 billion, which exposed the Group to foreign exchange risk arising from the exchange rate fluctuations of RMB to HKD upon the redemption of such bonds that were not converted.



### (III) ANALYSIS OF NON-PRINCIPAL BUSINESSES

Unit: RMB million

	Amount	As a percentage of total profit (%)	Reasons for the changes	Sustainable or not
Investment income	75	4.06	Mainly included investment income from long-term equity investments accounted for using equity method, investment income from derivative financial assets and dividend income from other equity instrument investments during the holding period	Yes
Asset impairment losses	97	5.25	Mainly due to the reversal of impairment for inventories	No

### (IV) ASSETS AND LIABILITIES

#### 1. Significant changes in composition of assets

Unit: RMB million

	30 June 2019		31 December 2018		Increase/ Decrease (percentage point)	Explanation for significant changes
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	1,781	1.99	2,154	2.39	-0.40	-
Notes receivable	5,063	5.67	7,184	7.98	-2.31	-
Accounts receivable	2,870	3.21	2,460	2.73	0.48	-
Inventories	14,110	15.79	13,125	14.58	1.21	-
Long-term equity investments	2,798	3.13	2,803	3.11	0.02	-
Fixed assets	48,989	54.83	50,064	55.61	-0.78	-
Construction in progress	2,488	2.78	1,458	1.62	1.16	-
Short-term loans	14,795	16.56	13,180	14.64	1.92	-
Long-term loans	2,744	3.07	2,295	2.55	0.52	-

**(IV) ASSETS AND LIABILITIES (CONTINUED)**

**2. Assets and liabilities measured at fair value**

*Unit: RMB million*

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Cumulative change in fair value reported in equity	Impairment provision made for the period	Purchases during the period	Disposals during the period	Closing balance
Financial assets							
Including:							
1. Financial assets held for trading (excluding derivative financial assets)	35	10	-	-	-	-	45
2. Derivative financial assets	1	-1	-	-	-	-	0
3. Other debt investment	-	-	-	-	-	-	-
4. Other equity instrument investments	519	-	-138	-	-	-	470
Sub-total of financial assets	555	9	-138	-	-	-	515
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	555	9	-138	-	-	-	515
Derivative financial liabilities	3	27	-	-	-	-	30

Material changes in measurement of major assets during the Reporting Period

Yes       No



## (IV) ASSETS AND LIABILITIES (CONTINUED)

### 3. Gearing ratio

As at 30 June 2019 and 31 December 2018, the Group's equity-to-debt ratio was 1.41 times and 1.40 times, respectively.

### 4. Restrictions on assets as at the end of the Reporting Period

The Group pledged notes receivable with a carrying amount of RMB287 million to banks in the period to secure notes payable of RMB282 million. The term of the pledge is from January 2019 to November 2019.

### 5. Contingent liabilities

As at 30 June 2019, the Group had no contingent liabilities.

## (V) BUSINESS PLAN FOR THE SECOND HALF OF 2019

1. Adhere to improvement in efficiency and benefits, to reinforce the solid base for development.
2. Adhere to the reform and innovation drives, to converge strong momentum for development.
3. Adhere to superior quality and service, to create a brand with premium development.
4. Adhere to the fulfillment of objectives and responsibilities, to create a favourable environment for development.
5. Adhere to the integration of party building and operations, to provide a powerful guarantee for development.

## (VI) ANALYSIS OF INVESTMENTS

### 1. Overview

External investments

Investments for the Reporting Period <i>(RMB million)</i>	Investments for the corresponding period of the previous year <i>(RMB million)</i>	Change <i>(%)</i>
70	154	-54.55

### 2. Significant equity investments made during the Reporting Period

Applicable     Not applicable

### 3. Significant non-equity investments in progress during the Reporting Period

Applicable     Not applicable

### 4. Financial asset investments

(1) Securities investments

*Unit: RMB million*

Stock type	Stock code	Stock abbreviation	Initial investment costs	Accounting measurement model	Book value	Gains or losses on	Cumulative	Purchase amount for the current period	Disposal amount for the current period	Gains or losses during the Reporting Period	Book value	Accounting item	Source of funds
					at the beginning of the period	change for the current period	change in fair value reported in equity				at the end of the period		
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	35	10	-	-	-	10	45	Financial asset held for trading	Self-owned funds



## (VI) ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Related party transaction or not	Type of derivatives investment	Initial investment amount of derivatives	Date of commencement	Date of termination	Investment amounts at the beginning of the period	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Provision for Impairment (if any)	Investments at the end of the period	Proportion of investments at the end of the period to net assets of the Company at the end of the Reporting Period	Actual profit or loss during the Reporting Period
Angang Steel	None	No	Futures hedging	1	29 April 2015	-	139	852	1,241	-	185	0.35%	-4
Total				1	-	-	139	852	1,241	-	185	0.35%	-4

Source of funds for derivative investments Self-owned funds

Litigation case (if applicable) None

Date of the announcement disclosing the approval of derivatives investment by the Board On 18 March 2019, the Resolution in Relation to the Company's 2019 Annual Hedging Business Amount was approved at the 53rd meeting of the seventh session of the Board.

Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting None

## (VI) ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)

- (1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and forecast on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities.
- (2) As the category of position held has sufficient liquidity, there is no liquidity risk.
- (3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal.
- (4) The Company carries out such business in strict compliance with the relevant requirements of hedging and total holding position and term are in line with the Company's approval.

The Company has performed evaluation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.



**(VI) ANALYSIS OF INVESTMENTS (CONTINUED)**

**4. Financial asset investments (Continued)**

(2) Derivatives investments (Continued)

<p>Changes in market price or fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used in the analysis of derivatives' fair value shall be disclosed</p>	<p>Deformed bar and hot-rolled coil quoted on the Shanghai Futures Exchange; iron ore, coking coal and coke quoted on the Dalian Commodity Exchange; on 2 January 2019, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, iron ore, coking coal and coke were RMB3,389/ton, RMB3,306/ton, RMB491.5/ton, RMB1,159.5/ton and RMB1,885/ton, respectively; on 28 June 2019, the consecutive dominant contract settlement prices of deformed bar, hot-rolled coil, iron ore, coking coal and coke were RMB4,044/ton, RMB3,934/ton, RMB833.5/ton, RMB1,388.5/ton and RMB2,065.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, iron ore, coking coal and coke were +RMB655/ton, +RMB628/ton, +RMB342/ton, +RMB229/ton and +RMB180.5/ton, respectively.</p>
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<p>Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the Reporting Period as compared with those of the last Reporting Period</p>	<p>N/A</p>
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## (VI) ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

Specific opinions of independent Directors on the derivatives investment and risk control of the Company

- (1) The Company utilized self-owned capital for the development of futures hedging business under its assurance of its normal production and operation, and performed related approval procedures in compliance with relevant requirements of the applicable laws and regulations in China and the articles of association of the Company, which was beneficial to the reduction of operating risks of the Company, without prejudice to the Company and the shareholders as a whole.
- (2) The Company established the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and clarified internal control procedures such as the business operation procedures, approval process and risk prevention and control, thereby providing assurance for the Company's control of hedging-related risks.
- (3) The Company confirmed that the maximum amount and the types of products for trading under the annual hedging guarantees were reasonable and in line with the actual situation of production and operation of the Company, and thus, favorable to the Company's reasonable control over trading risks.



## (VII) DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY INTERESTS

### 1. Disposal of significant assets

Applicable     Not applicable

### 2. Disposal of significant equity interests

Applicable     Not applicable

## (VIII) ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

*Unit: RMB million*

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Angang Chaoyang	Limited Liability Company	Iron and steel smelting · steel pressing and processing and distribution of steel products	8,000	4,972	3,732	4,279	480	360
NSC-TKS	Sino-foreign Cooperative venture	Production of rolled hot dip galvanized steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,029	1,155	2,201	77	63
Angang Finance Company	Limited Liability Company	Deposit, lending and financing	4,000	20,565	6,754	461	227	190

## (IX) STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable     Not applicable

## **X. POSSIBLE RISKS AND COUNTERMEASURES**

### **1. Environmental protection risks**

(1) Risk description

With the implementation of the new Environmental Protection Law and the new pollutant emission standards as well as other relevant laws, the government supervision and law enforcement have become increasingly strict, the intensity and standards of environmental protection supervision on enterprises have been strengthened, the public's awareness of environmental protection has been improved, and the environmental protection requirements on enterprises have been further increased, all of which have resulted in enormous pressure on iron and steel enterprises in respect of environmental protection.

(2) Coping measures

From the aspect of management system, the Group will make adjustment based on the standards of leading enterprises, find gaps, improve deficiencies, and develop its ecological environmental protection plan from a high starting point. It will conduct a comprehensive assessment on the current environmental protection facilities and implement a monthly environmental protection evaluation system to achieve all-round control over pollutions through "one point, one measure and one person in charge". For new, renovation and expansion projects, the project completion acceptance will be strictly controlled to ensure 100% implementation of the "three concurrence" system.

The comprehensive utilization and standardized management of solid wastes will be promoted, and the construction of forest-type green ecological plant areas will be facilitated; the environmental protection technical innovation project will be fully implemented, and the existing dust control achievements will be consolidated, the management of environmental protection renovation projects will be reinforced, the implementation of projects will be speeded up, and the "blue sky, clean water, green grass and zero solid waste discharged by factories" will be realized.



## X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

### 2. Marketing risk

#### (1) Risk description

The overall situation of steel overcapacity has not been fundamentally changed, the contradiction between domestic supply and demand is still prominent, and market competition is fierce. The new economic growth point has obviously weakened the demand for steel products. The industries with a traditional demand for steels have shifted its demand for steel products from the growth of varieties and quantity to the improvement of quality and value, which has put forward higher requirements for the steel industry. Rising prices of raw materials and cost of operating in an environmental friendly way in the iron and steel industry have brought increasing cost pressures to iron and steel enterprises.

With the profound adjustment of the world economy, the rise of protectionism and unilateralism, the twists and turns of economic globalization, and the greater uncertainties and instability, steel enterprises will face more international trade disputes, bringing many adverse effects on steel exports.

#### (2) Coping measures

The “1+4+N” marketing model will be improved and the overall coordination of the marketing system will be leveraged. Internally, the Group will strengthen product adjustment index, anticipated manufacturing, customer service, sales and pricing based on sophisticated standards; externally, it will promote the integration and coordination of manufacture of automobile steels as well as the medium and heavy plate division system, which as a breakthrough point will facilitate the coordination of serving major customers in three important regions, namely, East China, South China and North China.

## **X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)**

### **2. Marketing risk (Continued)**

#### (2) Coping measures (Continued)

The Group will broaden the marketing channels and deepen its presence in the Northeast of China; intensify bidding for key projects; in response to the “Belt and Road” initiative, expand overseas marketing channels and actively compete in the emerging markets such as Southeast Asia and India.

The Group will extend its industrial chain, and actively carry out deep processing, distribution, matching and combination of spot products and futures; promote the implementation of financial services targeting downstream customers pursuant to the industrial chain financing management plan to not only improve customer loyalty and market share but also increase its profits.

The Group will establish and improve the scientific research, quality and marketing management mechanism oriented by customer experience, solve customer pain points, enhance customer loyalty and continuously improve profitability. It will give full play to the leading role of the sales department to feedback market information and customer needs to research and development, quality and production departments so as to improve product quality and enhance competitiveness.



## X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

### 3. Investment risk

#### (1) Risk description

The complex and changeable economic situation at home and abroad has brought great uncertainty to the Company's investment decision-making and implementation. If the due diligence and feasibility demonstration of investment projects are not comprehensive, in-depth and sufficient, the investment decision may be inappropriate or the project may be restricted or suspended, or punishment may be imposed due to incompliance. Intelligent manufacturing involves many technical fields and is difficult to develop. If the project implementation plan is not fully discussed and the management methods are insufficient, projects may not achieve the expected construction goals.

#### (2) Coping measures

Timely understanding and analysis of the relevant national industrial policies, macroeconomic situation and changes in the industry market should be made to provide a basis for investment decisions. The annual investment plan review will be strengthened, the investment direction under the overall strategy and plan of the Company will be followed, and the projects in relation to strategic presence, quality improvement and product adjustment, energy conservation and cost reduction, process optimization, environmental protection and emission reduction, relevant industries, informatization and intelligence will be supported as a priority. The risk assessment and compliance review mechanism will be established and improved. In respect of strategic, overall important and high-risk major investment, financing as well as restructuring and reorganization issues, the risk assessment and compliance review mechanism will be adopted. For major projects, the third-party risk assessment and internal expert review mechanism will be used to reduce decision-making risks of the projects.

## **X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)**

### **3. Investment risk (Continued)**

#### (2) Coping measures (Continued)

The management changes, operating conditions, project income performance of the investment targets as well as the changes in relevant national policies and industry environment that may influence the investment targets will be closely monitored. In case of major changes, the risk points will be promptly identified and the risk impact will be anticipated to provide the basis for the Company's decision-making.

### **4. Procurement risk**

#### (1) Risk description

Influenced by national supply-side reforms, safety and environmental protection policies and accidents in overseas mines, the prices of raw fuels such as coal, coke and ore remain expensive, resulting in high raw fuel procurement costs for iron and steel enterprises. As the national environmental protection policy becomes increasingly strict, it may bring great difficulties to the stable supply of mineral resource products. The price fluctuation of raw fuel increases. If the forecast of market trend is not accurate, it may cause stock shortage or overstock, thus leading to stagnation of production or waste of resources.



## X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

### 4. Procurement risk (Continued)

#### (2) Coping measures

The market changes will be closely monitored, the market research and anticipation ability will be enhanced to grasp the window period of the market so as to scientifically and reasonably control inventory and avoid impairment risks. The procurement plans will be reasonably formulated, and the positive impact arising from the large procurement scale of Angang on procurement cost and resource acquisition will be leveraged to ensure annually stable supply through full implementation of strategic procurement. The centralized scale purchase will be used to achieve differentiated purchase reduction, and the favorable market opportunities will be seized to adjust purchase quantity as appropriate and achieve cost reduction and efficiency gains. On the basis of rational use of financial instruments, hedging, establishment of virtual inventory and reduction of capital occupation, the market price risk will be effectively avoided.

The supplier management system will be improved and the supplier management will be standardized. The channels for attracting premium suppliers will be expanded, and removal of ordinary suppliers will be promoted. The material classification and integration will be reinforced to reduce customized material purchase, form a healthy competition mechanism, and build a pool of high-quality suppliers. The agreement scope of parts procurement and contracting for material and equipment function by suppliers will be expanded, and the agreement periods will be appropriately extended for the suppliers with unique specialty, sufficient qualification and strong ability to achieve stable prices with reasonable conditions and to facilitate the suppliers to improve product quality. The bottleneck resources will be leveraged, and the strategic partnership will be established with suppliers having sufficient qualification and strong ability, advanced technology, outstanding performance and guaranteed after-sales service. The procurement process will be optimized to reduce procurement nodes and shorten procurement cycle. The plan implementation tracking and monitoring system will be established to improve implementation rate of plans and vigorously promote online purchase.

## X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

### 5. Capital risk

#### (1) Potential capital risk

The bank acceptance bills issued by individual financial companies held by the Company were past due but not paid. As of July 31, 2019, the amount of RMB338 million was past due but not paid. In the future, bank acceptance bills of RMB494 million may be claimed by subsequent discounters. Given the sufficient operating capital of the Company, such failure of repayment will not have a significant impact on the cash flow of the Company for the current period.

#### (2) Coping measures and effectiveness

The Company has established a risk response team for the delay in repayment of notes, regularly organized special meetings and formulated specific risk response measures. The Company has actively taken actions to procure the remote-holder customers the repay the relevant notes and preserve the debt assets arising from the bank acceptance bills past due but not paid. The Company has adjusted its policy on notes receivable. In light of the due time and repayment of the notes, the Company has successively commenced legal claim proceedings against parties involved in the overdue notes to procure such parties to repay the overdue notes payable as soon as possible. Through adjusting the policy on notes receivable, the receivable structure of the Company has significantly improved and the proportion of the bank acceptance notes has substantially decreased.



## XI. EMPLOYEES

Staff composition as at 30 June 2019 is set out as follows:

	<b>30 June 2019</b>
Number of current employees in the Company ( <i>person</i> )	33,880
Number of current employees in major subsidiaries ( <i>person</i> )	716
Total number of current employees ( <i>person</i> )	34,596
Total number of employees receiving remuneration during the period ( <i>person</i> )	34,596
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations ( <i>person</i> )	0

### Specialty composition

<b>Category of specialty composition</b>	<b>Number of people</b> ( <i>person</i> )
Production	25,028
Sales	299
Technical	2,490
Finance	255
Administration	2,097
Others	4,427
<b>Total</b>	<b>34,596</b>

## XI. EMPLOYEES (CONTINUED)

### Education level

Category of education level	Number of people <i>(person)</i>
Bachelor's degree and above	9,403
Post-secondary	9,547
Technical secondary school	13,875
Others	1,771
<b>Total</b>	<b>34,596</b>

In the first half of 2019, the Company comprehensively conducted systematic, modular and precise education and training with close focus on the production and operation of the Company, promoted the development of training programs of different terms, levels and scale, and effectively made use of the general and basic training to strive to create featured and quality training program, support the high quality development of the Company with the quality and capacity of employees further improved, and provide sound talent backup and intellectual support to the objective of building up an iron & steel enterprise with the strongest comprehensive competitiveness. As at the end of June, the attendance of the annual special training of the Company was 11,523; 13,985 primary employees received training for job knowledge; 18,689 primary employees received training for operational skills; the attendance of employees holding the work permits for special operations for safety qualification training was 4,073. The planned training targets were achieved.

The Company has adopted position-and-performance based salary and risk-linked annual remuneration packages for senior management; position-and-performance based remuneration and new product development incentive packages for research personnel; sales/profit-linked remuneration package for sales personnel; and position-and-performance based remuneration packages for other personnel.



## **(XII) PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## **(XIII) SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted the relevant code for directors' securities transactions for the purpose of complying with the Hong Kong Listing Rules. In response to the Company's specific enquiries with all Directors, the Directors have confirmed that they have complied with the standards set out in Appendix 10 to the Listing Rules.

## **(XIV) INDEPENDENT NON-EXECUTIVE DIRECTORS**

Throughout the Reporting Period, the Board had been in compliance with Rule 3.10(1) of the Hong Kong Listing Rules, which requires a company to maintain at least three independent non-executive directors, and Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of the independent non-executive directors to possess professional qualifications or accounting or related financial management expertise.

## **(XV) AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Hong Kong Listing Rules.

The Audit Committee and the management have reviewed the accounting standards, principles and measurements adopted by the Company, and considered the related audit, internal control and the unaudited interim financial report for the six months ended 30 June 2019.

## I. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD IN THE REPORTING PERIOD

### 1. General meetings held in the Reporting Period

<b>Session of Meeting</b>	<b>Type of Meeting</b>	<b>Proportion of investors involvement</b>	<b>Date of convening</b>
2018 annual general meeting	Annual general meeting	64.99%	28 May 2019

## II. PROPOSALS OF PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD

The Company proposed not to distribute cash dividends, issue bonus shares or transfer reserve to share capital for the interim period.

**III. THE UNDERTAKINGS PERFORMED BY ACTUAL CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD**

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Non-competition undertakings	<p>The Non-competition Undertaking Letter of Angshan Iron &amp; Steel Group Complex (鞍山鋼鐵集團公司) 遼安同業競爭承諾函:</p> <p>(1) Angang Holding and its wholly-owned and controlled subsidiaries have complied with relevant requirements of the state on the non-competition.</p> <p>(2) Angang Holding and its wholly-owned and controlled subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company.</p> <p>(3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlled subsidiaries of Angang Holding under the same conditions, which are related to the iron and steel business of the Company.</p> <p>(4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that, at the request of the Company, it will transfer all the capital contribution, shares or equity interests it holds in such companies and grant the Company preemptive rights for such capital contribution, shares or equity interests under the same conditions.</p>	20 May 2007	Indefinite	There was no breach of such undertaking

**III. THE UNDERTAKINGS PERFORMED BY ACTUAL CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (CONTINUED)**

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>(5) If Angang Holding and its wholly-owned and controlled subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes to purchase such assets and business, Angang Holding and its wholly-owned and controlled subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.</p> <p>(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first of the opportunity of new business.</p> <p>If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and controlled subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.</p> <p>If the Company proposes to acquire such business in the future, Angang Holding and its wholly-owned and controlled subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.</p>			

**III. THE UNDERTAKINGS PERFORMED BY ACTUAL CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (CONTINUED)**

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>(7) Other effective measures to avoid and eliminate horizontal competition. The above undertakings do not limit the business of Angang Holding and its wholly-owned and controlled subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.</p> <p>All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible to engage in business not prohibited by the state. Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:</p> <p>(1) Angang Holding ceases to be the controlling shareholder of the Company;</p> <p>(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason);</p> <p>(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.</p>			

**III. THE UNDERTAKINGS PERFORMED BY ACTUAL CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (CONTINUED)**

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Whether the commitment are fulfilled on time	Yes		Considering that Angang Holding does not have any iron and steel production projects in operation which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.			



#### **IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM**

This interim report of the Company is unaudited.

#### **V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THE REPORTING PERIOD AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR**

##### **1. Changes in accounting policies**

- (1) Particulars of and reasons for the changes

In 2018 and 2019, the Ministry of Finance (“MOF”) issued the following amendments to the Accounting Standards for Business Enterprises and relevant interpretations:

Accounting Standards for Business Enterprises No.21—Leasing(revised) (“New Leasing Standard”)

The Notice on Revision of the General Format of 2019 Financial Statements of Business Enterprises (Cai Kuai [2019] No. 6)

The Group has adopted the above revised Accounting Standards for Business Enterprises and interpretations since 1 January 2019 and made adjustments to relevant accounting policies accordingly.

## **V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THE REPORTING PERIOD AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)**

### **1. Changes in accounting policies (Continued)**

#### (2) Major Impacts of the changes

##### A. New Leasing Standards

Pursuant to the requirements of the original leasing standard, the lease expenses of the operating lease assets are recognized as the relevant assets or expenses over the lease term. After the amendments, the lessee shall first identify whether there constitutes a lease, and the lease contracts satisfying the definition of a lease are accounted for as required by the New Leasing Standards. At initial recognition, the lease liabilities of the operating lease assets are recognized at the present value of the outstanding lease payments as on the commencement date of the lease while the right-of-use assets are recognized based on the lease liabilities and other costs (such as initial direct costs and restoration duties). For subsequent measurement, the right-of-use assets are depreciated and the depreciation charges are recognized, while at the same time, the interest expenses of the lease liabilities are recognized based on effective interest rate method. Meanwhile, the specific requirements for disclosure of financial reports are imposed in respected of related matters. There is no substantive material change in terms of leasing out, and finance leases.

All existing lease contracts of the Group are short leases for which the simplified approach is adopted, which has no significant impact on the financial statements of the Group. Meanwhile, the data of the financial statements have not been adjusted by the Group.



## V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THE REPORTING PERIOD AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

### 1. Changes in accounting policies (Continued)

#### (2) Major Impacts of the changes (Continued)

##### B. Presentation of Financial Statements

The Group prepared its 2019 interim financial statements in accordance with the format for financial statements specified by Cai Kuai [2019] No.6 and retrospectively adjusted the presentation of the related financial statements.

The relevant presentation adjustments are as follows:

Items affected in the consolidated balance sheet and the balance sheet of the Company:

*Unit: RMB million*

Consolidated Balance Sheet					
Statement	31 December 2018 before retroactively adjusting the new statement format	Impact of new statement format changes	31 December 2018 after retroactively adjusting the new statement	Impact of changes in accounting policies on new leasing standards	2019-1-1
<b>Assets :</b>					
Notes receivable		7,184	7,184		7,184
Accounts receivable		2,460	2,460		2,460
Notes receivable and accounts receivable	9,644	-9,644	0		0
<b>Liabilities:</b>					
Notes payable		1,400	1,400		1,400
Accounts payable		7,663	7,663		7,663
Notes payable and accounts payable	9,063	-9,063	0		0

**V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THE REPORTING PERIOD AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)**

**1. Changes in accounting policies (Continued)**

(2) Major Impacts of the changes (Continued)

B. Presentation of Financial Statements (Continued)

Consolidated Balance Sheet					
Statement	31 December 2018 before retroactively adjusting the new statement format	Impact of new statement format changes	31 December 2018 after retroactively adjusting the new statement	Impact of changes in accounting policies on new leasing standards	2019-1-1
<b>Assets :</b>					
Notes receivable		6,249	6,249		6,249
Accounts receivable		3,239	3,239		3,239
Notes receivable and accounts receivable	9,488	-9,488	0		0
<b>Liabilities:</b>					
Notes payable		1,370	1,370		1,370
Accounts payable		6,976	6,976		6,976
Notes payable and accounts payable	8,346	-8,346	0		0

Such changes of accounting policies would not have any impact on the items in the consolidated income statement and income statement of the Company for the current period.



## V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THE REPORTING PERIOD AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

### 2. Changes of accounting estimates

There was no change in accounting estimates of the Group at the end of the current period.

## VI. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING

There was no matter relating to insolvency and restructuring during the Reporting Period.

## VII. LITIGATION

The Company was not involved in any material litigation and arbitration during the Reporting Period.

Other litigations

Litigation (basic information of the arbitration)	Amount involved in the Litigation (RMB'0,000)	Whether caused estimated liabilities or not	Progress of the litigation (arbitration)	Results of trial of litigation (arbitration) and effects thereof	Execution of judgment of the litigation (arbitration)
5 labor disputes, 2 contract disputes, 1 infringement	321	No	1 contract dispute was withdrawn, and others were in the trial	-	-

## VIII. PENALTY AND RECTIFICATIONS

Applicable       Not applicable

The Company has not been subject to any penalty and rectification during the Reporting Period.



## SIGNIFICANT MATTERS (Continued)

**IX. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS**

Applicable      ✓ Not applicable

**X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY**

Applicable      ✓ Not applicable



## XI. MAJOR CONNECTED TRANSACTIONS

The connected transactions set out below fall within the definition relating to “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Hong Kong Listing Rules. Relevant connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

### 1. Connected transactions related to daily operations

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Holding	controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	3,693	14.05			In cash	-
Angang Group Mining Gongchangling Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	2,025	7.71			In cash	-
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,349	5.13			In cash	-
Angang Group Anqian Mining Company Limited	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	731	2.78			In cash	-
Angang Group Guanbaoshan Mining Co. Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	594	2.26			In cash	-
Angang Holding International Economic and Trading	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	499	1.90			In cash	-
Pangang Vanadium & Titanium Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	219	0.83			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	384	1.47			In cash	-
Sub-total	-	-	Purchase main materials	-	-	9,495	36.13	23,619	No	-	-

# SIGNIFICANT MATTERS (Continued)

## XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

### 1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Anshan Steel Metallurgy Lucai Technology Co., Ltd. (鞍山鋼鐵冶金爐材科技有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	437	8.93	-	No	In cash	-
Angang Naihao Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	397	8.11	-	No	In cash	-
Angang Roller Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	109	2.23	-	No	In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	399	8.16	-	No	In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	1,342	27.43	3,526	No	-	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	707	30.17	-	No	In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	22	0.94	-	No	In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	729	31.11	2,011	No	-	-



## XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

### 1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Dejin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	745	13.87			In cash	-
Angang construction Consortium Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	319	5.94			In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	397	7.39			In cash	-
Angang Cold Rolled Steel Plate Co., Ltd. (Putian)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	255	4.75			In cash	-
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	310	5.77			In cash	-
Angang Group Energy-saving Technology Service Co., Ltd (數鋼集團節能技術服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	195	3.63			In cash	-
Angang Auto Transport Co., Ltd	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	113	2.10			In cash	-
Angang Metal Structure CO., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	107	1.99			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	688	12.80			In cash	-
Sub-total	-	-	Receive supporting services	-	-	3,129	58.24	6,411	No	-	-

# SIGNIFICANT MATTERS (Continued)

## XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

### 1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Dejin Land Ports (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sales of products	Market principle	-	392	0.80			In cash	-
Angang Green Resources Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sales of products	Market principle	-	302	0.62			In cash	-
Angang Construction Group Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sales of products	Market principle	-	157	0.32			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sales of products	Market principle	-	421	0.85			In cash	-
Sub-total Angang Group	-	-	Sales of products	-	-	1,273	2.59	5,179	No	-	-
Sub-total	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Sell scrap steel material and abandoned material	Market principle	-	212	86.89			In cash	-
Sub-total	-	-	Sell scrap steel material and abandoned material	-	-	212	86.89	297	No	-	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Provide comprehensive services	Market principle	-	341	8.85			In cash	-
Angang Naihao Co., Ltd	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Provide comprehensive services	Market principle	-	106	2.75			In cash	-
Other subsidiaries of Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Provide comprehensive services	Market principle	-	35	0.92			In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	482	12.52	1,828	No	-	-



## XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

### 1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interest	Market principle	-	17	77.27	50	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	3,480	-	3,500	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	30	17.21	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	13	100	120	No	In cash	-

Particulars on refund of bulk sale

-

Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementing during the Reporting Period

During the Reporting Period, the total amount of continuing connected transactions of the Company did not exceed the relevant caps applicable to such types as specified under the Continuing Connected Transaction Agreements which were approved at the general meeting and the estimated amount of various continuing connected transactions at the beginning of the year.

Reason for the difference between transaction price and market reference price

-

Relevant explanation on connected transactions

As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

## **XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)**

### **2. Connected transactions in relation to asset or equity acquisition or disposal**

There was no connected transaction in relation to acquisition or disposal of assets or equity during the Reporting Period.

### **3. Connected transactions in relation to joint external investments**

There was no connected transaction in relation to joint external investments during the Reporting Period.

### **4. Debts and obligations due from/owed to connected parties**

During the Reporting Period, the Company did not have any debts and obligations due from/owed to connected parties incurred from non-operating activities.

## **XII. USE OF THE CAPITAL OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS CONNECTED PARTIES FOR NON-OPERATING PURPOSES**

During the Reporting Period, neither the controlling shareholder nor its connected parties used the capital of the Company for non-operating purposes.



### **XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE**

#### **1. Entrustment, contracting and leasing matters**

##### (1) Entrustment

The Company and Angang Holding entered into the Asset and Business Entrustment and Management Service Agreement approved at the general meeting of the Company, which is the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Asset and Business Entrustment and Management Service Agreement, Angang Holding authorized the Company to conduct daily operation and management over the assets, businesses, future assets and business expansion of its unlisted controlled subsidiaries.

During the Reporting Period, there was no entrusted project which generated profit of more than 10% of the gross profit of the Company for the Reporting Period.

##### (2) Contracting

There was no any contractual arrangement during the Reporting Period.

### **XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)**

#### **1. Entrustment, contracting and leasing matters (Continued)**

##### (3) Leasing

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, representing a total amount of RMB42.90 million in the first half of 2019.

During the Reporting Period, there was no lease which generated profit of more than 10% of the gross profit of the Company for the Reporting Period.

- 2. During the Reporting Period, there was no guarantee provided by the Company, nor was there any guarantee subsisting during the Reporting Period.**
- 3. The Company did not enter into any other material agreement during the Reporting Period.**



## XIV. SOCIAL RESPONSIBILITIES

### 1. Material matters regarding environmental protection

Company or subsidiary	Major pollutant and particular pollutant	Discharge manner	Discharge outlet	Location of discharge outlets	Emission concentration	Pollutant discharge standard adopted	Total discharge amount (tonnes)	Total discharge amount approved	Excess discharge
Angang Steel	Chemical oxygen demand	Standard discharge	3	Plant area of Angang	<50mg/L	50mg/L	50.06	not assessed by the government	Nil
Angang Steel	Ammoniacal nitrogen	Standard discharge	3	Plant area of Angang	<5mg/L	5mg/L	2.795	not assessed by the government	Nil
Angang Steel	Particulate matters	Standard discharge	445	Plant area of Angang	<20mg/m <sup>3</sup>	20mg/m <sup>3</sup>	5,040.6	not assessed by the government	Nil
Angang Steel	Sulphur dioxide	Standard discharge	128	Plant area of Angang	<100mg/m <sup>3</sup>	100mg/m <sup>3</sup>	4,842.2	not assessed by the government	Nil
Angang Steel	Nitrogen oxides	Standard discharge	115	Plant area of Angang	<200mg/m <sup>3</sup>	200mg/m <sup>3</sup>	12,619.2	not assessed by the government	Nil

(1) Construction and operation of anti-pollution facilities

The environmental protection facilities of the Company were under stable operation and the pollutants generated were discharged in compliance with the standards.

(2) Environmental impact assessment on construction projects and administrative permits concerning environmental protection

In the first half of 2019, environmental impact assessment was carried out for all new construction projects of the Company according to relevant regulations and all such projects were completely in line with the “three simultaneities” principle in respect of the environmental impact assessment and environmental protection.

#### **XIV. SOCIAL RESPONSIBILITIES (CONTINUED)**

##### **1. Material matters regarding environmental protection (Continued)**

- (3) Emergency plan for environmental contingency

The Company has formulated the Emergency Plan for Environmental Contingency.

- (4) Voluntary environmental monitoring plan

In 2019, the Company formulated the monitoring plan in accordance with emission permits, and engaged third parties to conduct the monitoring.

- (5) Other environmental information subject to disclosure

Nil.

##### **2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation**

- (1) Targeted poverty alleviation plans

Under the guidance of the General Secretary Xi Jinping's spirit regarding new-era socialism with Chinese characteristics, the Group has thoroughly studied and implemented the Party's 19th National Congress and the Party Central Committee and the State Council's strategic plan for poverty eradication. The unified requirements of Angang Group was followed, problem-driven improvement measures were focused, the principle of "external supports" and "internal efforts" were observed to achieve the combined aims of poverty alleviation, ambition cultivation and intelligence development, and the "Six Targeting" requirements were followed to appropriately carry out targeted poverty alleviation including livelihood poverty alleviation, industrial poverty alleviation, education poverty



## XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

### 2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

#### (1) Targeted poverty alleviation plans (Continued)

alleviation, medical poverty alleviation and talent support. The Group will fully leverage its resource advantages, mobilize various forces and make every effort to implement the targeted poverty alleviation throughout the whole process of poverty eradication, and earnestly fulfill its political responsibility and mission shouldered by a state-owned enterprise directly led by the central government, and help poverty alleviation targets successfully complete the poverty eradication goals.

#### (2) Summary of targeted poverty alleviation during the first half of 2019

During the first half of 2019, the Company allocated funds amounting to RMB0.925 million and implemented 3 industrial poverty alleviation projects, helping 281 registered poor population out of poverty. In particular, the investment in two village-level photovoltaic poverty alleviation power station projects in Jianchang County amounted to RMB0.6 million while that in yellowhorn project of Shangtao Village of Chaoyang City and road lamp project amounted to RMB0.25 million and RMB0.03 million. Moreover, The Company organised attendance visits to 86 registered poor households with investment of RMB0.045 million. Meanwhile, seven cadres were also despatched to carry out talent support in Ta County of Xinjiang Province. At present, the progress and implementation of various projects are in good condition.

**IV. SOCIAL RESPONSIBILITIES (CONTINUED)**
**2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)**

(3) Results of targeted poverty alleviation during the half year of 2019

<b>Indicator</b>	<b>Unit</b>	<b>Number/ progress</b>
I. Overview	-	-
Including:		
1. Cash	RMB'0,000	92.5
2. Supplies converted into cash	RMB'0,000	-
3. Number of archive impoverished population casting off poverty	person	281
II. Subentry	-	-
1. Poverty alleviation through industrial development	-	-
Including:		
1.1 Type of industrial development projects for poverty alleviation	-	-
1.2 Number of industrial development projects for poverty alleviation	Project	3
1.3 Capital invested in industrial development projects for poverty alleviation	RMB'0,000	85
1.4 Number of archive impoverished population casting off poverty	Person	92



#### IV. SOCIAL RESPONSIBILITIES (CONTINUED)

##### 2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Results of targeted poverty alleviation during the half year of 2019 (Continued)

Indicator	Unit	Number/ progress
2. Poverty alleviation through allopatric employment	-	-
Including : 2.1 Capital invested in occupational skill trainings	RMB'0,000	-
2.2 People attending occupational skill trainings	Person	-
2.3 Employment of archive impoverished population	Person	-
3. Poverty alleviation through resettlement	-	-
Including: Employment of relocated households	Person	-
4. Poverty alleviation through education	-	-
Including: 4.1 Capital contributed for aiding impoverished students	RMB'0,000	-
4.2 Number of students receiving financial aid	Person	-
4.3 Capital contributed for improving educational resources in poverty stricken areas	RMB'0,000	-

**IV. SOCIAL RESPONSIBILITIES (CONTINUED)**
**2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)**

(3) Results of targeted poverty alleviation during the half year of 2019 (Continued)

<b>Indicator</b>	<b>Unit</b>	<b>Number/ progress</b>
5. Poverty alleviation from the perspective of hygiene	-	-
Including: 5.1 Capital invested in medical and health resources in povertystricken areas	RMB'0,000	-
6. Poverty alleviation from the perspective of ecological protection	-	-
Including : 6.1 Type of project	-	-
6.2 Capital contributed	RMB'0,000	-
7. Bottomlined guarantee	-	-
Including: 7.1 Capital for "staybehind" children, elderly and women	RMB'0,000	-
7.2 Number of "staybehind" children, elderly and women getting help	Person	-
7.3 Capital for the disabled in difficulties	RMB'0,000	-
7.4 Number of the disabled in difficulties getting help	Person	-



#### IV. SOCIAL RESPONSIBILITIES (CONTINUED)

##### 2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Results of targeted poverty alleviation during the half year of 2019 (Continued)

Indicator	Unit	Number/ progress
8. Social poverty alleviation	-	-
Including: 8.1 Capital contributed for collaborative poverty alleviation in eastern and western regions	RMB'0,000	-
8.2 Capital for targeted poverty alleviation work	RMB'0,000	-
8.3 Capital donated to poverty alleviation-related charity funds	RMB'0,000	-
9. Others	-	-
Including: 9.1 Number of projects	Project	1
9.2 Capital contributed	RMB'0,000	1
9.3 Number of archive impoverished population casting off poverty	Person	46
III. Awards (nature and class)	-	-

#### **IV. SOCIAL RESPONSIBILITIES (CONTINUED)**

##### **2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)**

- (4) Follow-up targeted poverty alleviation plans

In the second half, the Company will focus on promoting the progress of various projects according to the poverty alleviation plans formulated at the beginning of the year, and devote more efforts in medical poverty alleviation and education poverty alleviation. Meanwhile, the Company will make timely adjustment and response according the changes of the situation.

#### **XV. OTHER SIGNIFICANT MATTERS**

There was no other significant matters during the Reporting Period.

#### **XVI. CORPORATE GOVERNANCE OF THE COMPANY**

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the China Securities Regulatory Commission (the “CSRC”), the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Corporate Governance Guideline of Listed Companies and the Guidelines for the Internal Control of Listed Companies of the Shenzhen Stock Exchange, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system. There is no difference between the Company’s corporate governance practice and the Company Law and the relevant requirements of the CSRC.

**XVI. CORPORATE GOVERNANCE OF THE COMPANY (CONTINUED)**

With shares listed in both Hong Kong and Shenzhen, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, in order to protect the interests of the shareholders and to create return for the shareholders in the long term.

The Company has adopted the code provisions of the Corporate Governance Code (the “Code Provisions”) set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has reviewed its corporate governance practices from time to time. Save as set out below, the Company complied with all Code Provisions during the Reporting Period.

- (1) According to provision A.1.8 in Appendix 14 to the Hong Kong Listing Rules, “an issuer should arrange appropriate insurance cover in respect of legal action against its directors”.

The Company did not arrange any insurance cover for its Directors in the first half of 2019.

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange, and other regulations, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system, which has lowered the legal risks to the Directors. Therefore, no insurance arrangement has been made in respect of the Directors.

# Movements in Share Capital and Shareholding of Substantial Shareholders

## I. MOVEMENTS IN SHARES

### 1. Movements in Shares

As at 30 June 2019, the structure of share capital of the Company was as follows:

*Unit: Share*

	Before the change		Increase/decrease during the period (+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund		Sub-total	Number	Percentage (%)
						Others			
<b>I. Shares subject to trading moratorium</b>	13,237	0.00	-	-	+3,971	-	+3,971	17,208	0.00
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	-	-	-	-	-	-	-	-	-
Including: shares held by domestic									
Legal persons	-	-	-	-	-	-	-	-	-
shares held by domestic									
natural persons	13,237	0.00	-	-	+3,971	-	+3,971	17,208	0.00
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas									
legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas natural									
persons	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to trading moratorium</b>	7,234,794,610	100.00	-	-	+2,170,438,383	-	+2,170,438,383	9,405,232,993	100.00
1. Renminbi ordinary shares	6,148,994,610	84.99	-	-	1,844,698,383	-	1,844,698,383	7,993,692,993	84.99
2. Domestically listed foreign investment shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign investment shares	1,085,800,000	15.01	-	-	+325,740,000	-	+325,740,000	1,411,540,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total shares</b>	<b>7,234,807,847</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>+2,170,442,354</b>	<b>-</b>	<b>+2,170,442,354</b>	<b>9,405,250,201</b>	<b>100.00</b>



## I. MOVEMENTS IN SHARES (CONTINUED)

### 1. Movements in Shares (Continued)

*Notes :*

- (1) Reasons for movement in share capital:

On 28 June 2019, the Company implemented the profit distribution for 2018 and issued additional shares by way of capitalisation of capital reserve, on the basis of three(3) capitalisation shares for every ten(10) existing shares. Therefore, there was changes in the share capital during the Reporting Period.

- (2) Approval of movement in share capital:

On 28 May 2019, the profit distribution plan for 2018 was approved at the 2018 annual general meeting of the Company, including the capitalisation of capital reserve, on the basis of three(3) capitalisation shares for every ten(10) existing shares.

- (3) Impact of movement in share capital on the basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company in the latest year:

In 2018, based on the original total number of 7,234,807,847 shares, basic earnings per share of the Group amounted to RMB1.099 per share, diluted earnings per share amounted to RMB1.088 per share net assets per share attributable to ordinary shareholders of the Company amounted to RMB7.18 per share; based on the total number of 9,405,250,201 shares after capitalisation of capital reserve, basic earnings per share of the Group amounted to RMB0.846 per share, diluted earnings per share amounted to RMB0.840 per share net assets per share attributable to ordinary shareholders of the Company amounted to RMB5.52 per share.

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### I. MOVEMENTS IN SHARES (CONTINUED)

#### 2. Changes in shares subject to trading moratorium

*Unit: Share*

Name of Shareholder	Shares subject to trading moratorium at the beginning of the period	Increase in shares subject to trading moratorium during the period	Decrease in shares subject to trading moratorium during the period	Shares subject to trading moratorium at the end of the period	Reason for the trading moratorium	Date of release of the trading moratorium
Yao Lin	7,500	2,250	-	9,750	The Company implemented the profit distribution for 2018 and issued additional shares by way of capitalisation of capital reserve, on the basis of three(3) capitalisation shares for every ten(10) existing shares, resulting in the increase of restricted shares	8 December 2019
Wang Yidong	5,737	1,721	-	7,458	The Company implemented the profit distribution for 2018 and issued additional shares by way of capitalisation of capital reserve, on the basis of three(3) capitalisation shares for every ten(10) existing shares, resulting in the increase of restricted shares	-
Total	13,237	3,971	-	17,208	-	-



## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### II. ISSUANCE AND LISTING OF SECURITIES

Name of shares and their derivative securities	Date of issuance	Issue price (or rate)	Issuance amount	Listing date	Amount approved for listing and trading Share category	Termination date of trading	Disclosure index	Disclosure date
Angang Steel (A share)	28 June 2019	0	1,844,702,354 shares	28 June 2019	1,844,702,354 shares	-	The announcement on the Implementation of the 2018 A Share Equity Distribution of Angang Steel Company Limited published on China Securities Journal, the Securities Times and CNINFO (www.cninfo.com.cn).	21 June 2019
Angang Steel (H share)	27 June 2019	0	325,740,000 shares	28 June 2019	325,740,000 shares	-	Capitalisation shares and payment of dividend taxation date of despatch of cheques and h share certificates issue of capitalisation shares to overseas shareholders application for the listing of capitalisation shares and the dealings date published on the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> )	28 May 2019

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY

*Unit: Share*

The total number of ordinary shareholders of the Company as at the end of the Reporting Period 106,390 of which 493 were holders of H shares

Details of shareholders holding more than 5% of ordinary shares or top ten shareholders holding ordinary shares

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares subject to trading moratorium	Shares pledged or frozen	Status of shares	Number
Anshan Iron & Steel Group Co. Ltd.	State-owned legal person	53.33	5,016,111,529	+1,157,564,199	-	5,016,111,529	-	-	-
HKSCC (Nominees) Limited	Overseas Legal person	14.87	1,398,268,870	+322,523,391	-	1,398,268,870	-	-	-
China National Petroleum Corporation	State-owned legal person	8.98	845,000,000	+195,000,000	-	845,000,000	-	-	-
Power Construction Corporation of China	State-owned legal person	4.98	468,000,000	+108,000,000	-	468,000,000	-	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	1.00	94,348,670	+21,772,770	-	94,348,670	-	-	-
Hong Kong Securities Clearing Company Limited	Overseas Legal person	0.96	90,013,686	-34,625,008	-	90,013,686	-	-	-
Abu Dhabi Investment Authority (阿布達比投資局)	Overseas Legal person	0.32	30,552,331	+1,637,969	-	30,552,331	-	-	-



## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Status of shares	Shares pledged or frozen
China Merchants Bank Co., Ltd. – Boshi Zhongzheng State-owned Enterprise Structure Adjustment Trading Open Type Index Security Investment Fund (招商銀行股份有限公司 – 博時中證央企結構調整交易型開放式指數證券投資基金)	Other	0.32	30,129,850	+19,069,550	-	30,129,850	-	-
Agricultural Bank Of China Limited-Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中國農業銀行股份有限公司 – 華夏中證央企結構調整交易型開放式指數證券投資基金)	Other	0.23	21,797,660	+21,797,660	-	21,797,660	-	-
# Tibet Futongda Investment Co., Ltd. (西藏富通達投資有限公司)	Domestic general legal person	0.18	16,900,000	+11,970,000	-	16,900,000	-	-

Explanations on the connected relationship or acting in concert among the shareholders mentioned above

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Top ten shareholders holding ordinary shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium as at the end of the Reporting Period	Type of share	
		Type of share	Number
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,398,268,870	Overseas listed foreign shares	1,398,268,870
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Power Construction Corporation of China	468,000,000	Renminbi ordinary shares	468,000,000
Central Huijin Asset Management Ltd.	94,348,670	Renminbi ordinary shares	94,348,670
Hong Kong Securities Clearing Company Limited	90,013,686	Renminbi ordinary shares	90,013,686
Abu Dhabi Investment Authority (阿布達比投資局)	30,552,331	Renminbi ordinary shares	30,552,331
China Merchants Bank Co., Ltd.-Boshi Zhongzheng State-owned Enterprise Structure Adjustment Trading Open Type Index Security Investment Fund (招商銀行股份有限公司－博時中證央企結構調整交易型開放式指數證券投資基金)	30,129,850	Renminbi ordinary shares	30,129,850
Agricultural Bank Of China Limited-Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中國農業銀行股份有限公司－華夏中證央企結構調整交易型開放式指數證券投資基金)	21,797,660	Renminbi ordinary shares	21,797,660
# Tibet Futongda Investment Co., Ltd. (西藏富通達投資有限公司)	16,900,000	Renminbi ordinary shares	16,900,000

Explanations on the connected relationship or acting in concert among the top ten shareholders not subject to trading moratorium, and the top ten shareholders not subject to trading moratorium and the top 10 shareholders

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

Description of top ten shareholders holding ordinary shares to participate in financing business (if any)

The top ten shareholders holding ordinary shares and the top ten shareholders holding of ordinary shares not subject to trading moratorium of the Company did not conduct any agreed repurchase transactions during the Reporting Period.

#### IV. CHANGE TO CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, there was no change to the controlling shareholder and the de facto controller of the Company.

#### V. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 30 June 2019, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

Interests in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage of total share capital (%)	Percentage		Capacity
			of total H Shares in issue (%)	of total domestic shares in issue (%)	
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529 State shares	53.33	–	62.75	Beneficial owner
HKSCC Nominees Limited	1,398,268,870 H Shares	14.87	99.06	–	Nominee
China National Petroleum Corporation	845,000,000 A Shares	8.98		10.57	Beneficial owner

# Information on Directors, Supervisors and Senior Management

## I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit: Share

Name	Position	Status of position	No. of shares held at the beginning of the Reporting Period	No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	Number of shares subject to trading moratorium granted as at the beginning of the Reporting Period	Number of shares subject to trading moratorium granted during the Reporting Period	Number of shares subject to trading moratorium granted at the end of the Reporting Period
Wang Yidong	Chairman	In office	7,650	2,295	-	9,945	-	-	-
Li Zhen	Director, Deputy General Manager (in charge)	In office	0	-	-	0	-	-	-
Ma Lianyong	Director, Deputy General Manager, Chief Accountant, Joint Company Secretary	In office	0	-	-	0	-	-	-
Xie Junyong	Director, Deputy General Manager	In office	0	-	-	0	-	-	-
Wu Dajun	Independent Non-executive Director	In office	0	-	-	0	-	-	-
Ma Weiguo	Independent Non-executive Director	In office	0	-	-	0	-	-	-
Feng Changli	Independent Non-executive Director	In office	0	-	-	0	-	-	-
Wang Jianhua	Independent Non-executive Director	In office	0	-	-	0	-	-	-

**I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)**

*Unit: Share*

Name	Position	Status of position	No. of shares held at the beginning of the Reporting Period	No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	Number of shares subject to trading moratorium		
							Number of shares subject to trading moratorium granted during the Reporting Period	Number of shares subject to trading moratorium granted at the end of the Reporting Period	Number of shares subject to trading moratorium granted as at the end of the Reporting Period
Lu Yongli	Supervisor, Chairman of the Supervisory Committee	In office	0	-	-	0	-	-	-
Liu Xiaohui	Supervisor	In office	0	-	-	0	-	-	-
Yuan Peng	Supervisor	In office	0	-	-	0	-	-	-
Xu Shishuai	Deputy General Manager	In office	0	-	-	0	-	-	-
Meng Jinsong	Deputy General Manager	In office	0	-	-	0	-	-	-
Chen Chun	Joint Company Secretary	In office	0	-	-	0	-	-	-
Lin Daqing	Former Chairman of the Supervisory Committee	Resigned	0	-	-	0	-	-	-

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

<b>Name</b>	<b>Position</b>	<b>Category</b>	<b>Date</b>	<b>Reason</b>
Lin Daqing	Former Chairman of the Supervisory Committee	Resigned	2019.05.28	Retired on expiry
Lu Yongli	Supervisor, Chairman of the Supervisory Committee	Elected	2019.05.28	–
Wang Jianhua	Independent Non-executive Director, Member of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Committee	Elected	2019.05.28	–

# Consolidated Balance Sheet

As at 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	30 June 2019	31 December 2018
<b>Current assets:</b>			
Cash and cash equivalents	6.1	1,781	2,154
Financial assets at fair value through profit or loss			
Derivative financial assets	6.2		1
Notes receivable	6.3	5,063	7,184
Accounts receivable	6.4	2,870	2,460
Prepayments	6.5	1,713	1,408
Other receivables	6.6	18	50
Including: interests receivable	6.6		
Dividends receivable	6.6		
Inventories	6.7	14,110	13,125
Contract assets			
Other current assets	6.8	546	526
<b>Total current assets</b>		<b>26,101</b>	26,908
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Long-term equity investments	6.9	2,798	2,803
Other investments in equity instruments	6.10	470	519
Other non-current financial assets	6.11	45	35
Fixed assets	6.12	48,989	50,064
Construction in progress	6.13	2,488	1,458
Intangible assets	6.14	6,242	6,315
Deferred income tax assets	6.15	666	781
Other non-current assets	6.16	1,549	1,141
<b>Total non-current assets</b>		<b>63,247</b>	63,116
<b>Total assets</b>		<b>89,348</b>	90,024



## Consolidated Balance Sheet (Continued)

As at 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term loans	6.17	14,795	13,180
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	6.18	30	3
Notes payable	6.19	1,942	1,400
Accounts payable	6.20	6,720	7,663
Advances from customers			
Contract liabilities	6.21	5,041	4,795
Employee benefits payable	6.22	237	183
Tax payable	6.23	(34)	589
Other payables	6.24	2,398	2,286
Including: interests payable	6.24	11	9
Dividends payable	6.24		
Non-current liabilities due within 1 year	6.25	103	2,648
Other current liabilities	6.26	634	
<b>Total current liabilities</b>		<b>31,866</b>	<b>32,747</b>
<b>Non-current liabilities:</b>			
Long-term loans	6.27	2,744	2,295
Bonds payable	6.28	1,608	1,574
Long-term employee benefits payable	6.29	95	97
Deferred income	6.30	601	630
Deferred income tax liabilities	6.15	80	77
Other non-current liabilities	6.31	92	139
<b>Total non-current liabilities</b>		<b>5,220</b>	<b>4,812</b>
<b>Total liabilities</b>		<b>37,086</b>	<b>37,559</b>

# Consolidated Balance Sheet (Continued)

As at 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	30 June 2019	31 December 2018
<b>Shareholders' equity:</b>			
Share capital	6.32	<b>9,405</b>	7,235
Capital reserve	6.33	<b>33,485</b>	35,655
Other comprehensive income	6.34	<b>(139)</b>	(241)
Special reserve	6.35	<b>96</b>	49
Surplus reserve	6.36	<b>3,628</b>	3,628
Undistributed profit	6.37	<b>5,284</b>	5,636
Subtotal of Shareholders' equity attributable to shareholders of parent company		<b>51,759</b>	51,962
Minority interests		<b>503</b>	503
<b>Total shareholders' equity</b>		<b>52,262</b>	52,465
<b>Total liabilities and shareholders' equity</b>		<b>89,348</b>	90,024

Legal representative:  
**Wang Yidong**

Chief Accountant:  
**Ma Lianyong**

Person-in-charge of the  
accounting department:  
**Gong Jin**



# Consolidated Income Statement

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Operating income</b>		<b>51,074</b>	50,862
Including: operating income	6.38	<b>51,074</b>	50,862
<b>Operating costs</b>		<b>49,423</b>	45,572
Less: operating costs	6.38	<b>45,962</b>	42,033
Tax and surcharges	6.39	<b>472</b>	625
Marketing expenses	6.40	<b>1,539</b>	1,549
Administrative expenses	6.41	<b>615</b>	524
Research and development expenses	6.42	<b>214</b>	145
Financial expenses	6.43	<b>621</b>	696
Including: interests expenses	6.43	<b>631</b>	705
Interests revenue	6.43	<b>22</b>	11
Add: Other income	6.44	<b>36</b>	23
Investment income (“-” for losses)	6.45	<b>75</b>	183
Including: income from investment in jointly ventures and associates	6.45	<b>70</b>	155
Gains/losses from fair value variation (“-” for losses)	6.46	<b>29</b>	(9)
Impairment losses on assets (“-” for losses)	6.47	<b>97</b>	(26)
Credit impairment loss (“-” for losses)	6.48	<b>(27)</b>	(6)
Asset disposal income (“-” for losses)	6.49	<b>1</b>	8

# Consolidated Income Statement (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	This period	Last period
<b>Operating profit (“-” for losses)</b>		<b>1,862</b>	5,463
Add: Non-operating income	6.50	<b>12</b>	10
Less: Non-operating expenses	6.51	<b>28</b>	49
<b>Profit before income tax (“-” for losses)</b>		<b>1,846</b>	5,424
Less: Income tax expenses	6.52	<b>422</b>	989
<b>Net profit for the period (“-” for losses)</b>		<b>1,424</b>	4,435
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		<b>1,424</b>	4,435
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		<b>1,425</b>	4,441
ii. Minority interest income		<b>(1)</b>	(6)



## Consolidated Income Statement (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>The net amount after tax of other comprehensive income</b>			
<b>comprehensive income</b>	6.53	<b>(83)</b>	14
Net after-tax net of other comprehensive income attributable to the parent company owner	6.53	<b>(83)</b>	14
I. The other comprehensive income which can not be reclassified into profit or loss	6.53	<b>(83)</b>	13
i. Changes in fair value of other investments in equity instruments investment	6.53	<b>(83)</b>	13
II. The other comprehensive income which can be classified into profit or loss	6.53		1
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	6.53		1
ii. The profit or loss from the change at fair value of available-for-sale financial assets			
Net after-tax net of other comprehensive income attributable to minority shareholders			

# Consolidated Income Statement (Continued)



For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Total comprehensive income</b>		<b>1,341</b>	4,449
The other comprehensive income attributed to the owners of the company		<b>1,342</b>	4,455
The other comprehensive income attributed to the minority		<b>(1)</b>	(6)
<b>Earning per share:</b>			
Basic earning per share (RMB/share)	19.2	<b>0.152</b>	0.472
Diluted earning per share (RMB/share)	19.2	<b>0.146</b>	0.471

Legal representative:

**Wang Yidong**

Chief Accountant:

**Ma Lianyong**

Person-in-charge of the  
accounting department:

**Gong Jin**



# Consolidated Statement of Cash Flows

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>45,135</b>	39,412
Refund of taxes and fares		<b>88</b>	22
Other cash received from operating activities	6.54	<b>21</b>	30
<b>Sub-total of cash inflows</b>		<b>45,244</b>	39,464
Cash paid for goods and services		<b>35,769</b>	30,140
Cash paid to and for the employees		<b>2,150</b>	2,321
Cash paid for all types of taxes		<b>1,902</b>	2,725
Other cash paid for operating activities	6.54	<b>1,658</b>	1,867
<b>Sub-total of cash outflows</b>		<b>41,479</b>	37,053
<b>Net cash flow from operating activities</b>	6.55	<b>3,765</b>	2,411

# Consolidated Statement of Cash Flows (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	This period	Last period
<b>Cash flows from investing activities:</b>			
Cash received from return of investments			
Cash received from investment income		189	249
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		2	10
Other cash received from investment activities	6.54	37	59
<b>Sub-total of cash inflows</b>		<b>228</b>	318
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,727	1,084
Cash paid for acquisition of investments		70	21
Other cash paid for investment activities	6.54	19	31
<b>Sub-total of cash outflows</b>		<b>1,816</b>	1,136
<b>Net cash flow from investing activities</b>		<b>(1,588)</b>	(818)



## Consolidated Statement of Cash Flows (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Cash flows from financing activities:</b>			
Cash received from absorbing investments			3
Including: Received of subsidiary from minority shareholders			
Cash received from borrowings		<b>12,415</b>	15,788
Cash received from the issuance of bonds			
Other cash received from financing activities	6.54	<b>33</b>	180
<b>Sub-total of cash inflows</b>		<b>12,448</b>	15,971
Cash paid for settling of debts		<b>12,896</b>	13,275
Cash paid for distribution of dividends or profit and repayment of interests		<b>2,018</b>	2,321
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities	6.54	<b>84</b>	1
<b>Sub-total of cash outflows</b>		<b>14,998</b>	15,597
<b>Net cash inflow from financing activities</b>		<b>(2,550)</b>	374

# Consolidated Statement of Cash Flows (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	This period	Last period
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>			15
<b>Net increase in cash and cash equivalents</b>	6.55	<b>(373)</b>	1,982
Add: Cash and cash equivalents at beginning of this period	6.55	<b>2,154</b>	2,670
<b>Cash and cash equivalents at the end of this period</b>	6.55	<b>1,781</b>	4,652

Legal representative:  
**Wang Yidong**

Chief Accountant:  
**Ma Lianyong**

Person-in-charge of the  
accounting department:  
**Gong Jin**

# Consolidated Statement of Changes in Shareholders' Equity

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	This period									Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
<b>Balance as of 31 Dec. 2018</b>	7,235	35,655		(241)	49	3,628		5,636	503	52,465
Add: Changes of accounting policy										
Business combination under the common control										
Others										
<b>Balance as of 1 Jan. 2019</b>	7,235	35,655		(241)	49	3,628		5,636	503	52,465
<b>Increase/decrease in 2019 ("+" represents loss)</b>	2,170	(2,170)		102	47			(352)		(203)
(1) Total amount comprehensive income				(83)				1,425	(1)	1,341
(2) Capital introduced or withdrawn by owners										
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others										
(3) Profit distribution								(1,592)		(1,592)
i. Transfer to surplus reserve										
ii. Transfer to general risk reserve										
iii. Distribution to shareholders								(1,592)		(1,592)
iv. Others										
(4) Transfer within shareholder's equity	2,170	(2,170)		185				(185)		
i. Transfer from capital reserve to share capital	2,170	(2,170)								
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Others				185				(185)		
(5) Special reserve					47				1	48
i. Extracts of this period					61				1	62
ii. Usage of this period					(14)					(14)
<b>Balance as of 30 June 2019</b>	9,405	33,485		(139)	96	3,628		5,284	503	52,262

# Consolidated Statement of Changes in Shareholders' Equity (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Last year									
	Shareholders' equity attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	Total of shareholders' equity
<b>Balance as of 31 Dec. 2017</b>	7,235	31,519		(3)	38	3,580		7,604	413	50,386
Add: Changes of accounting policy				(247)				115		(132)
Business combination under the common control		10,561			19			(8,262)	8	2,326
Others										
<b>Balance as of 1 Jan. 2018</b>	7,235	42,080		(260)	57	3,580		(543)	421	52,560
<b>Increase/decrease in 2018 ("-" represents loss)</b>		(6,425)		9	(8)	48		6,179	82	(115)
(1) Total amount comprehensive income				9	(8)	48		7,952		7,961
(2) Capital introduced or withdrawn by owners		(6,425)							81	(6,344)
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others		(6,425)							81	(6,344)
(3) Profit distribution										
i. Transfer to surplus reserve						48		(48)		
ii. Transfer to general risk reserve										
iii. Distribution to shareholders										
iv. Others									(47)	(47)
(4) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Others										
(5) Special reserve						(8)			1	(7)
i. Extracts of this period						89			1	90
ii. Usage of this period						(97)				(97)
<b>Balance as of 31 Dec. 2018</b>	7,235	35,655		(241)	49	3,628		5,636	503	52,465

Legal representative:

**Wang Yidong**

Chief Accountant:

**Ma Lianyong**

Person-in-charge of the accounting department:

**Gong Jin**

# Balance Sheet

As at 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2019	31 December 2018
<b>Current assets:</b>			
Cash and cash equivalents		629	1,125
Financial assets at fair value through profit or loss			
Derivative financial assets			1
Notes receivable		4,417	6,249
Accounts receivable	16.1	3,968	3,239
Prepayments		1,382	1,136
Other receivables	16.2	67	46
Including: interests receivable	16.2		
Dividends receivable	16.2		
Inventories		10,201	9,813
Contract assets			
Other current assets		68	178
<b>Total current assets</b>		<b>20,732</b>	<b>21,787</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Long-term equity investments	16.3	11,269	11,275
Other investments in equity instruments		470	519
Other non-current financial assets		45	35
Fixed assets		42,181	43,283
Construction in progress		2,359	1,373
Intangible assets		5,797	5,866
Deferred income tax assets		568	589
Other non-current assets		1,505	1,094
<b>Total non-current assets</b>		<b>64,194</b>	<b>64,034</b>
<b>Total assets</b>		<b>84,926</b>	<b>85,821</b>

# Balance Sheet (Continued)

As at 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	30 June 2019	31 December 2018
<b>Current liabilities:</b>			
Short-term loans		15,235	13,210
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities		30	3
Notes payable		1,916	1,370
Accounts payable		5,912	6,976
Advances from customers			
Contract liabilities		3,008	3,209
Employee benefits payable		212	169
Tax payable		(95)	502
Other payables		2,245	1,969
Including: interests payable		6	2
Dividends payable			
Non-current liabilities due within 1 year			2,545
Other current liabilities		634	
<b>Total current liabilities</b>		<b>29,097</b>	29,953
<b>Non-current liabilities:</b>			
Long-term loans		2,500	2,000
Bonds payable		1,608	1,574
Long-term employee benefits payable		94	94
Deferred income		468	494
Deferred income tax liabilities		80	74
Other non-current liabilities		92	139
<b>Total non-current liabilities</b>		<b>4,842</b>	4,375
<b>Total liabilities</b>		<b>33,939</b>	34,328



## Balance Sheet (Continued)

As at 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2019	31 December 2018
<b>Shareholders' equity:</b>			
Share capital		<b>9,405</b>	7,235
Capital reserve		<b>26,527</b>	28,697
Other comprehensive income		<b>(139)</b>	(241)
Special reserve		<b>49</b>	19
Surplus reserve		<b>3,618</b>	3,618
Undistributed profit		<b>11,527</b>	12,165
Subtotal of Shareholders' equity attributable to shareholders of parent company		<b>50,987</b>	51,493
Minority interests			
<b>Total shareholders' equity</b>		<b>50,987</b>	51,493
<b>Total liabilities and shareholders' equity</b>		<b>84,926</b>	85,821

Legal representative:

**Wang Yidong**

Chief Accountant:

**Ma Lianyong**

Person-in-charge of the  
accounting department:

**Gong Jin**

# Income Statement

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	This period	Last period
<b>Operating income</b>		<b>48,867</b>	47,023
Including: operating income	16.4	<b>48,867</b>	47,023
<b>Operating costs</b>		<b>48,023</b>	42,445
Less: operating costs	16.4	<b>44,973</b>	39,285
Tax and surcharges		<b>403</b>	558
Marketing expenses		<b>1,288</b>	1,336
Administrative expenses		<b>540</b>	460
Research and development expenses		<b>214</b>	146
Financial expenses		<b>605</b>	660
Including: interests expenses		<b>610</b>	683
Interests revenue		<b>17</b>	23
Add: Other income		<b>32</b>	20
Investment income (“-” for losses)	16.5	<b>386</b>	182
Including: income from investment in jointly ventures and associates	16.5	<b>69</b>	154
Gains/losses from fair value variation (“-” for losses)		<b>29</b>	(8)
Impairment losses on assets (“-” for losses)		<b>100</b>	(22)
Credit impairment loss (“-” for losses)		<b>(27)</b>	
Asset disposal income (“-” for losses)			
<b>Operating profit (“-” for losses)</b>		<b>1,364</b>	4,750
Add: Non-operating income		<b>5</b>	6
Less: Non-operating expenses		<b>10</b>	47
<b>Profit before income tax (“-” for losses)</b>		<b>1,359</b>	4,709
Less: Income tax expenses		<b>220</b>	1,176



## Income Statement (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	This period	Last period
<b>Net profit for the period (“-” for losses)</b>		<b>1,139</b>	3,533
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		<b>1,139</b>	3,533
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		<b>1,139</b>	3,533
ii. Minority interest income			
<b>The net amount after tax of other comprehensive income</b>		<b>(83)</b>	14
Net after-tax net of other comprehensive income attributable to the parent company owner		<b>(83)</b>	14
I. The other comprehensive income which can not be reclassified into profit or loss		<b>(83)</b>	13

# Income Statement (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	Notes	This period	Last period
i. Changes in fair value of other investments in equity instruments investment		(83)	13
II. The other comprehensive income which can be classified into profit or loss			1
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			1
ii. The profit or loss from the change at fair value of available-for-sale financial assets			
Net after-tax net of other comprehensive income attributable to minority shareholders			
<b>Total comprehensive income</b>		<b>1,056</b>	3,547
The other comprehensive income attributed to the owners of the company		<b>1,056</b>	3,547
The other comprehensive income attributed to the minority			

Legal representative:  
**Wang Yidong**

Chief Accountant:  
**Ma Lianyong**

Person-in-charge of the  
accounting department:  
**Gong Jin**



# Statement of Cash Flows

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	This period	Last period
<b>Cash flows from operating activities:</b>		
Cash received from selling of goods or rendering of services	43,736	36,344
Refund of taxes and fares	85	21
Other cash received from operating activities	23	25
<b>Sub-total of cash inflows</b>	<b>43,844</b>	36,390
Cash paid for goods and services	36,257	28,083
Cash paid to and for the employees	1,873	2,122
Cash paid for all types of taxes	1,510	2,359
Other cash paid for operating activities	1,723	1,901
<b>Sub-total of cash outflows</b>	<b>41,363</b>	34,465
<b>Net cash flow from operating activities</b>	<b>2,481</b>	1,925
<b>Cash flows from investing activities:</b>		
Cash received from return of investments		
Cash received from investment income	498	249
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	221	
Net cash received from disposal of subsidiaries and other business units		
Other cash received from investment activities	32	55
<b>Sub-total of cash inflows</b>	<b>751</b>	304
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	1,675	1,030
Cash paid for acquisition of investments	70	164
Other cash paid for investment activities	19	31
<b>Sub-total of cash outflows</b>	<b>1,764</b>	1,225

# Statement of Cash Flows (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million



Items	This period	Last period
<b>Net cash flow from investing activities</b>	<b>(1,013)</b>	(921)
<b>Cash flows from financing activities:</b>		
Cash received from borrowings	<b>12,795</b>	15,335
Cash received from the issuance of bonds		
Other cash received from financing activities	<b>69</b>	180
<b>Sub-total of cash inflows</b>	<b>12,864</b>	15,515
Cash paid for settling of debts	<b>12,815</b>	12,830
Cash paid for distribution of dividends or profit and repayment of interests	<b>2,013</b>	2,199
Including: dividends or profit paid to minority shareholders		
Other cash paid for financing activities		
<b>Sub-total of cash outflows</b>	<b>14,828</b>	15,029
<b>Net cash inflow from financing activities</b>	<b>(1,964)</b>	486
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>		15
<b>Net increase in cash and cash equivalents</b>	<b>(496)</b>	1,505
Add: Cash and cash equivalents at beginning of this period	<b>1,125</b>	1,785
<b>Cash and cash equivalents at the end of this period</b>	<b>629</b>	3,290

Legal representative:

**Wang Yidong**

Chief Accountant:

**Ma Lianyong**

Person-in-charge of the accounting department:

**Gong Jin**

# Statement of Changes in Shareholders' Equity

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	This period									Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company									
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
<b>Balance as of 31 Dec. 2018</b>	7,235	28,697		(241)	19	3,618		12,165		51,493
Add: Changes of accounting policy										
Business combination under the common control										
Others										
<b>Balance as of 1 Jan. 2019</b>	7,235	28,697		(241)	19	3,618		12,165		51,493
<b>Increase/decrease in 2019 ("+" represents loss)</b>	2,170	(2,170)		102	30			(638)		(506)
(1) Total amount comprehensive income				(83)				1,139		1,056
(2) Capital introduced or withdrawn by owners										
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others										
(3) Profit distribution								(1,592)		(1,592)
i. Transfer to surplus reserve										
ii. Transfer to general risk reserve										
iii. Distribution to shareholders								(1,592)		(1,592)
iv. Others										
(4) Transfer within shareholder's equity	2,170	(2,170)		185				(185)		
i. Transfer from capital reserve to share capital	2,170	(2,170)								
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Others				185				(185)		
(5) Special reserve					30					30
i. Extracts of this period					40					40
ii. Usage of this period					(10)					(10)
<b>Balance as of 30 June 2019</b>	9,405	26,527		(139)	49	3,618		11,527		50,987

# Statement of Changes in Shareholders' Equity (Continued)

For the six months Ended 30 June 2019 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Shareholders' equity attributable to shareholders of the parent company									
	Share capital	Capital reserve	Last year							Total of shareholders' equity
			Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interests	
<b>Balance as of 31 Dec. 2017</b>	7,235	31,565		(3)	38	3,570			7,510	49,915
Add: Changes of accounting policy				(247)					115	(132)
Business combination under the common control										
Others										
<b>Balance as of 1 Jan. 2018</b>	7,235	31,565		(260)	38	3,570			7,625	49,783
<b>Increase/decrease in 2018("—" represents loss)</b>		(2,668)		9	(19)	48			4,540	1,710
(1) Total amount comprehensive income				9					6,266	6,275
(2) Capital introduced or withdrawn by owners		(2,668)								(2,668)
i. Capital introduced by owners										
ii. Capital introduced by other investments in equity instruments holders										
iii. Others		(2,668)								(2,668)
(3) Profit distribution										
i. Transfer to surplus reserve									(1,726)	(1,678)
ii. Transfer to general risk reserve							48		(48)	
iii. Distribution to shareholders									(1,678)	(1,678)
iv. Others										
(4) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Others										
(5) Special reserve					(19)					(19)
i. Extracts of this period						70				70
ii. Usage of this period						(89)				(89)
<b>Balance as of 31 Dec. 2018</b>	7,235	28,697		(241)	19	3,618			12,165	51,493

Legal representative:  
**Wang Yidong**

Chief Accountant:  
**Ma Lianyong**

Person-in-charge of the  
accounting department:  
**Gong Jin**



# Notes to the Financial Statements

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 1. PROFILE OF THE COMPANY

Angang Steel Company Limited (abbreviated as the Company) was formally established on 8th May 1997 as a joint-stock limited company, currently the headquarter locates in Angang factory, Tie Xi District, Anshan City, Liaoning Province, PRC.

The financial statements have been approved by the Board of Directors on 30 August, 2019.

There are 20 subsidiaries within the scope of the consolidation, please refer to Note 8 interests in other entities at the end of this period. There is no change in the scope of consolidation in the current period.

The Company and its subsidiaries (abbreviated as the Group) are principally engaged in ferrous metal smelting and steel pressing and processing.

## 2. BASIC PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group are prepared on the assumption of going concern principle based on the actual transactions and events, and prepared in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises(abbreviated as ASBE)(Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the Accounting Standards for Business Enterprises or CAS) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

According to the relevant provisions of Accounting Standards, the Group adopted an accrual accounting basis. Except for certain financial instruments, the financial statements are reported at historical cost. If assets are impaired, relevant provisions are made in accordance with relevant standards.



### **3. STATEMENT ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS**

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprise. These financial statements present truly, accurately and completely the financial position of the Group as of 30 June 2019, the financial performance and cash flow of the Group for the six months ended 30 June 2019. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports”, revised by the China Securities Regulatory Commission (CSRC) in 2014.

### **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note 4.27 “Significant accounting judgments and estimates”.

#### **4.1 Accounting period**

The Group's fiscal year is the calendar year that starts from January 1 and December 31.

#### **4.2 Operating cycle**

The normal operating cycle refers to the period from purchasing the assets for processing to realize the cash and cash equivalents. The operating cycle consists of 12 months which is the standard of the classification for the liquidity of the assets and liabilities.

#### **4.3 Recording currency**

The recording currency is the prevailing currency of the primary economic environment in which business of the Group operated. RMB is chosen as its recording currency by the group and the financial statements of the Group are presented in RMB.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.4 Accounting treatment of business combinations

Business combination refers to a transaction or event bringing together two or more separate entities into one. Business combinations are classified into the business combinations under common control and not under common control.

#### 4.4.1 The business combinations under common control

A business combination under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or the same parties both before and after the business combination and on (in) which the control is not temporary. In a business combination under common control, the party which obtains control power over the other combined entity on the combining date is the acquirer and the other combined entity is the acquiree. The acquisition date refers to the date on which the combining party actually obtains control power over the combined party.

The assets and liabilities that the combining party obtained in a business combination are measured on the basis of their carrying value in the combined party on the combining date. The difference between the carrying value of the net assets obtained from the combination and the carrying amount of the consideration paid (or the total par value of the shares issued) for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

The direct cost occurred in the business combination is recorded into the profit or loss in the current period when they actually occurred.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.4 Accounting treatment of business combinations (Continued)

#### 4.4.2 The business combinations not under common control

A business combination not under common control is a business combination in which the combined entities are ultimately controlled by the same party or the same parties neither before nor after the business combination. In a business combination not under common control, the party which obtains the control power over the other combined entities at the purchase date is the acquirer, and other combined entity is the acquiree. The “acquisition date” refers to the date on which the acquirer actually obtains the control power over the acquiree.

For business combinations not under common control, the combination cost is the assets paid, liabilities incurred or assumed and the equity securities issued by the acquirer, at fair value at the acquisition date, in exchange for the control power over the acquiree. The direct cost, of the business combination including the expenses for audit, legal service, valuation and other administrative expenses, is recorded into the profit or loss in the current period. Transaction expenses of the issued equity securities or liability securities for the consideration are recorded into the amount of initial measurement of the equity securities or liability securities. The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date.



## **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

### **4.4 Accounting treatment of business combinations (Continued)**

#### 4.4.2 The business combinations not under common control (Continued)

The cost of combination and identifiable net assets obtained by the acquirer in a business combination is measured at fair value at the acquisition date. If the cost of combination exceeds the fair value of the acquirer's share in the identifiable net assets, the difference is recognized as goodwill; if the cost of combination is lower than the fair value of the acquirer's share in the identifiable net assets, the acquirer shall firstly review the measurement of the fair value of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period.

### **4.5 Methods for preparation of consolidated financial statements**

#### 4.5.1 Recognition principle of consolidated scope

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control refers to the right to obtain the variable returns by the involvement with the investees, and has the ability to affect those returns through its power to direct the activities of the investees. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities over which the Company has control power.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.5 Methods for preparation of consolidated financial statements (Continued)

#### 4.5.1 Recognition principle of consolidated scope (Continued)

The Company shall reevaluate if there are changes of relevant elements of defined control due to the changes in the relevant facts and circumstances.

#### 4.5.2 Preparation of consolidated financial statements

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases, which the control is over the net assets and the operating decision-makings. For the disposed subsidiary, financial performance and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; the 31 December 2018 of the consolidated balance sheet shall not be adjusted due to the disposal. For the subsidiary acquired from business combination not under common control, its financial performance and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and the 31 December 2018 of the consolidated financial statements and comparable data of prior year shall not be adjusted due to this combination. For the subsidiary acquired from business combinations under common control, its financial performance and cash flow from the beginning of the reporting period to combination date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparable data of the consolidated financial statement shall be adjusted simultaneously.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.5 Methods for preparation of consolidated financial statements (Continued)

#### 4.5.2 Preparation of consolidated financial statements (Continued)

In preparing the consolidated financial statements, where the accounting policy or accounting period of the Company and subsidiaries is inconsistent, the financial statements of subsidiaries shall be adjusted in accordance with the accounting policies and accounting period of the Company. For the subsidiaries acquired from the business combination not under common control, financial statements of the subsidiaries shall be adjusted based on the fair value of identifiable net assets on acquisition date.

All significant intra-group balances, transactions and unrealized profits shall be eliminated in the consolidated financial statements.

The portion of a subsidiary's equity and the net profit or loss that is not attributable to the Company, shall be recognized as "Minority Interest" and "profit and loss of Minority", and presented on the consolidated financial statements under the owners' equity and the net profit or loss respectively. The portion of subsidiary's net profit or loss for the period attributable to minority interest is presented in the consolidated income statement below the "net profits" as "Minority Interests". Where the amount of the losses for the current period attributed to minority's shareholders of the subsidiary exceeds the minority shareholders' portion of the opening owners' equity of the subsidiary, the amount in excess shall be presented as minority interests.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.6 The classification of the joint venture arrangement and accounting treatment of joint operation

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. According to the differences in the rights and responsibilities, the joint venture arrangement is classified as a joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities, and Joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

The equity method is adopted for the investment of the joint venture, please refers to Note 4.12.2② Long-term equity investments accounted by equity method.

As a joint venture, the Company recognizes the assets held by the Company separately, the liabilities assumed separately, and the co-held assets and co-owned liabilities recognized by the Company's share; confirms its revenue from the sale of its share of the output arising from the joint operation; and recognizes the expenses incurred by the company separately and the expenses incurred arising from the joint operation according to the share of the company.



## **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**

### **4.6 The classification of the joint venture arrangement and accounting treatment of joint operation (Continued)**

When the Company transacts with a joint operation in which the Company is a joint operator, such as a sale or contribution assets, (The assets do not constitute as business, similarly hereinafter). The profit or loss resulting from the transactions is recognized only to the extent of the other parties' interests in the joint operation; When the Company transacts with a joint operation in which the Company is a joint operator, such as a purchase of assets, the Company does not recognize its share of the profit or loss until it resells those assets to a third party. A loss shall be recognized in the full amount of the sale or contribution of assets, and of the purchase of the assets from the joint operation in accordance with "ASBE–No. 8–assets impairment" and other provisions.

### **4.7 Recognition standard for cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and highly liquid short-term (within 3 months from the purchase date) investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

### **4.8 Foreign currency transactions and the translation of foreign currency financial statement**

#### **4.8.1 Foreign currency transactions**

At the time of initial recognition of a foreign currency transaction, the foreign currency is translated to RMB at the spot exchange rate at the transaction date. (Generally, a spot exchange rate is the middle rate quoted by the People's Bank of China on the day of transaction). Transaction in foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB at the actual exchange rate.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.8 Foreign currency transactions and the translation of foreign currency financial statement (Continued)

#### 4.8.2 Translation of foreign monetary items and foreign non-monetary items

On the balance sheet date, monetary items denominated in foreign currency are translated into RMB at the spot exchange rate on the balance sheet date and the arising difference shall be recorded into the profit and loss for the current period, except the difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets which shall be capitalized according to the Accounting Standards for Business Enterprises No. 17–Borrowing Costs, and the exchange difference arising from the change in the carrying amount other than amortized cost of an available-for-sale foreign monetary item which shall be recognized directly in other comprehensive income; otherwise it shall be recorded into the profit and loss.

Foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate at the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate at the date of fair value evaluation, and the translation difference, treated as the variation of fair value (including the variation of exchange rate), shall be recorded into the profit or loss at the current period and recognized as other comprehensive income.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes one party under the financial instrument contract.

#### 4.9.1 Financial assets

##### 4.9.1.1 Classification, confirmation basis and measurement method of financial assets

The Group classifies financial assets based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets. Financial assets will be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

The Group measures financial assets at amortised cost if both of the following conditions are met: ① the financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount; they are subsequently measured at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the amount due is amortized in accordance with the effective interest method. Amortisation, impairment, exchange gains and losses, and gains or losses arising from derecognition are recognised in profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.1 Financial assets (Continued)

##### 4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The Group measures debt instruments at fair value other comprehensive income if both of the following conditions are met: ① the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Except for those designated as hedged items, such financial assets, other than credit impairment losses or gains, foreign exchange revaluation and interest on the financial assets calculated according to the effective interest method, are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.1 Financial assets (Continued)

##### 4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

The Group designates non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. The non-trading equity instrument investment designated by the Group at fair value through profit or loss is recognised initially at fair value. related transaction costs are included in the initial recognition amount. Except for the acquisition of dividends (other than the recovery of investment costs), the other related gains and losses (including exchange gains and losses) are included in other comprehensive income and are not subsequently transferred to the current profits and losses.

The financial assets, other than the financial assets measured at amortised or fair value through other comprehensive income, are measured at fair value through profit and loss. Those financial assets are initially measured at fair value, and related transaction costs are directly recognised in profit or loss. The gains or losses on the financial assets are included in the current profits and losses.

The contingent consideration recognized by the Group in the business combinations not under common control constitutes financial assets, which are classified as financial assets measured at fair value through profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.1 Financial assets (Continued)

##### 4.9.1.1 Classification, confirmation basis and measurement method of financial assets (Continued)

At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can arbitrarily designate financial assets that should be measured at amortized cost or measured at fair value through other comprehensive income as the financial assets that are measured at fair value through profit and loss.

When the Group changes its business model of managing financial assets, it reclassifies all affected financial assets.

The interest income on a financial asset shall be recognized based on the effective interest rate method. The Interest income is calculated by multiplying the book value of a financial asset by the effective interest rate, except the following situations: ① for a purchased or derived financial asset with credit impairment, the Group shall, starting from the initial recognition, determine its interest income by multiplying the amortized cost of the financial asset by the adjusted effective interest rate due to credit impairment; ② for a purchased or derived financial asset which does not initially suffer credit impairment but has credit impairment in subsequent periods, the Group shall determine its interest income by using the amortized cost of the financial assets multiple the effective interest rate in subsequent periods.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.1 Financial assets (Continued)

##### 4.9.1.2 Confirmation basis and measurement method of financial asset transfer

The Group shall derecognize a financial asset when, and only when one of the following conditions is met: ① the contractual rights to the cash flow from the financial asset expire; ② the Group transfers substantially all the risks and rewards of the ownership of the financial asset; ③ the Group neither transfers nor retains substantially all the risks and rewards of the ownership of the financial asset, and it has not retained the control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and the cumulative gain or loss, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding) shall be recognized in profit and loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.1 Financial assets (Continued)

##### 4.9.1.2 Confirmation basis and measurement method of financial asset transfer (Continued)

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the entire financial asset shall be allocated between the part continued to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and the cumulative gain or loss for the part derecognized, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding), shall be recognized in profit and loss on derecognition of the investments in equity instruments not held for trade designated as financial assets by the Group, all the accumulated gains or losses recognized in other comprehensive income account shall be transferred into retained earning account.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.2 Financial Liabilities

##### 4.9.2.1 Classification, confirmation basis and measurement method of financial liabilities

The financial liabilities of the Group measured initially are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities measured at fair value through gain and loss include trading financial liabilities and designated financial liabilities measured at fair value through gain and loss on initial recognition (The relevant classification is based on the disclosure of the financial assets classification basis). Subsequent measurement is based on fair value. Gains or losses arising from changes in fair value and dividends and interest expense related to the financial liabilities are recognised in profit or loss.

Other financial liability (disclosure of specific financial liabilities based on actual conditions). Other financial liabilities are subsequently measured at amortized cost with effective rate. Except for the following, the Group classifies financial liabilities as financial liabilities measured at amortised cost: ① Financial liability measured at their fair value through profit or loss, which include trading financial liabilities (containing derivatives that are financial liabilities) and designated financial liabilities measured at fair value through gain and loss; ② Financial assets that do not meet the conditions for derecognition transfer or continue to be involved in the financial liabilities of the transferred financial assets; ③ Financial guarantee contracts that do not fall into the above 1 or 2 cases, and loan commitments that are not subject to the above 1 situation and are loans at a lower than market rate.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.2 Financial Liabilities (Continued)

##### 4.9.2.1 Classification, confirmation basis and measurement method of financial liabilities (Continued)

If the Group, as an acquirer, recognises a contingent consideration to form a financial liability in a business combination not under the common control, it is measured at fair value through profit or loss.

##### 4.9.2.2 Derecognition

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit and loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.3 Method for determining the fair value of financial assets and financial liabilities

The Group measures the fair value of financial assets and financial liabilities at the prices of major markets. If there is no major market, the fair value of financial assets and financial liabilities is measured at the most favorable market price. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value. The input values used in fair value measurement are divided into three levels: the level 1 is quoted (unadjusted) market prices in active markets for identical assets or liabilities; the level 2 is valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; the level 3 is valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The Group prioritizes the use of the first level of input values and finally uses the third level of input values.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.3 Method for determining the fair value of financial assets and financial liabilities (Continued)

The Group's investments in equity instruments are measured at fair value. However, in limited circumstances, if the short-term information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of the fair value within the scope, the cost may represent appropriate estimates of fair value within this distribution.

#### 4.9.4 Offset of financial assets and financial liabilities

The Group's financial assets and financial liabilities are presented separately in the balance sheet and are not offset. But financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.5 The distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes financial liabilities and equity instruments according to the following principles: ① If the Group cannot unconditionally avoid fulfilling a contractual obligation by paying cash or other financial assets, the contractual obligation is consistent with the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions; ② If a financial instrument is required or can be settled by the Group's own equity instruments, it is necessary to consider the Group's own equity instruments used to settle the instrument, whether it is a substitute for cash or other financial assets, or for the holder of the instrument to enjoy the remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the issuer's financial liability; if it is the latter, the instrument is the issuer's equity instrument. In some cases, a financial instrument contract stipulates that the Group settles the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations equals the amount of equity instruments available or to be delivered multiplied by the fair value at settlement. Whether the amount of the contractual rights or obligations is fixed, or totally or partly based on changes in variables other than the market price of the Group's own equity instruments (eg interest rate, price of a commodity, or price of a financial instrument). The contract is classified as a financial liability.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.9 Financial assets and liabilities (Continued)

#### 4.9.5 The distinction between financial liabilities and equity instruments and related treatment methods (Continued)

When the Group classifies financial instruments (or their components) in the consolidated statements, it considers all the terms and conditions between the group members and the holders of financial instruments. If the group as a whole assumes the obligation to settle cash, other financial assets, or other means of causing the instrument to become a financial liability due to the financial instruments, the instrument should be classified financial liability.

If the financial instrument or their components are classified as financial liabilities. Relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are recognised in profit or loss.

If the financial instrument or its components are equity instruments, it is treated as a change in equity and not recognized changes in the fair value of equity instruments when it is issued (including refinancing), repurchased, sold or cancelled.

### 4.10 Expected credit loss from receivables

#### 4.10.1 Notes receivable and accounts receivable

The method to confirm and account expected credit loss on notes receivable and accounts receivable.

The Group's contract assets, accounts receivable and lease receivable formed by transactions regulated by the "ASBE No. 14 – Revenue Standards" are always measured at the amount of the expected credit losses for the entire duration of the period for their bad debt provision.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.10 Expected credit loss from receivables (Continued)

#### 4.10.1 Notes receivable and accounts receivable (Continued)

The judgment of whether the credit risk has increased significantly since the initial confirmation. The Group determines whether the financial instrument credit risk has increased significantly by comparing the probability of default of the financial instrument at the initial recognition period and the probability of default of the instrument during the estimated duration of the instrument as determined on the balance sheet date. However, if the Group determines that a financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition. In general, if the overdue period exceeds 30 days, it indicates that the credit risk of financial instruments has increased significantly. Unless the Group obtains reasonable and evidence-based information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds 30 days, the credit risk has not increased significantly since the initial confirmation. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information, including forward-looking information, that can be obtained without unnecessary additional costs or effort. The information considered by the Group includes: ① The debtor's failure to pay the principal and interest on the contractual maturity date; ② Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected; ③ Serious deterioration of the debtor's operating results that have occurred or are expected; ④ Changes in existing or anticipated technical, market, economic or legal circumstances that will have a material adverse effect on the debtor's ability to repay the Group.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.10 Expected credit loss from receivables (Continued)

#### 4.10.1 Notes receivable and accounts receivable (Continued)

For notes receivable and accounts receivable, the Group assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Group can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

Measurement of Expected credit loss. The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract by the Group at the original effective interest rate and all cash flows expected to be received, that is, the present value of all cash shortages.

The Group calculates the expected credit losses of the notes receivable and accounts receivable on the balance sheet date. If the expected credit losses are greater than the book value of the bad debt provision on notes receivable and accounts receivable, the Group recognizes the difference as impairment losses on notes receivable and accounts receivable. Instead, the Group recognizes the difference as an impairment gain.

The Group actually incurred credit losses and determined that the relevant notes receivable and accounts receivable could not be recovered. If it is approved for written-off and the amount is greater than the provision for loss, the difference shall be included in the current profit and loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.10 Expected credit loss from receivables (Continued)

#### 4.10.2 Other receivables

The method to confirm and account expected credit loss on other receivables.

The Group measures the loss of other receivables according to the following circumstances: ① For the financial assets whose credit risk has not increased significantly since the initial recognition, the Group measures the loss according to the amount of expected credit losses in the next 12 months; ② For the financial assets that have increased significantly since the initial recognition, the Group measures the loss according to the amount of expected credit losses for the entire duration of the financial instrument; ③ For the purchased or originated financial assets that have suffered credit impairment, the Group measures the loss provision based on the amount of expected credit losses over the life.

For other receivables, the Group assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Group can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

As for the method for assessing whether credit risk has increased significantly since initial recognition, forward-looking information for the current year, accounting estimation policy for measuring expected credit losses, and accounting treatment methods, please refer to Note 4.10.1 "Accounts receivable".



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.11 Inventories

#### 4.11.1 Category

The inventories of the Group comprise raw material, work in progress, finished goods, turnover materials, spare parts, materials in transit, and outsourced materials etc.

#### 4.11.2 Pricing of inventories

Inventories are initially measured by actual cost, which consists of purchase price, processing cost and other costs. Inventories are measured by either the weighted average method, specific-unit-cost method or other method while requisitioned or delivered.

#### 4.11.3 Measurement of net realizable value of inventory and measurement of provision for impairment of inventories

The net realizable value refers to the selling price deducted by the estimated cost before completion, estimated selling expense and relevant taxes in the daily operations. Net realizable value of inventories is on the basis of reliable evidence obtained and in consideration of the purpose for holding inventories and the effects of subsequent events.

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value and a provision for impairment shall be made while the cost of inventories is higher than the net realizable value. Provision for impairment of inventory shall be incurred independently except that impairment of spare parts according to the actual situation and the estimation of the management.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.11 Inventories (Continued)

4.11.3 Measurement of net realizable value of inventory and measurement of provision for impairment of inventories (Continued)

If factors once result in impairment disappeared and the net realizable value exceeds the carrying value, the write-down shall be reversed from the provision to the extent of provision previously made and recorded into profit and loss for the current year.

4.11.4 Physical inventory at fixed periods is taken under perpetual inventory system.

4.11.5 Amortization of reusable materials

Reusable materials such as low-value consumables, packaging materials and other consumables shall be amortized by lump sum, workload or installment according to their nature. Amount of amortization shall be recorded into the cost of the relevant assets or profit or loss for the current period.

### 4.12 Long-term equity investment

The long-term equity investment refers to the investment in which the company has control, joint control or significant influence over the invested entities. On the other hand, the long-term equity investments which not result in the control, jointly control or significantly influence on the invested entities, are treated as other investments in equity instruments or financial assets held for trade and their accounting policies refer to Notes 4 and 9 "Financial Instruments".



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.12 Long-term equity investment (Continued)

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the right that the Company can participate in the decision-making of the financial and operating policies over the invested company, but is not able to control or jointly control the policy formulation.

#### 4.12.1 Determination of investment cost

For long-term equity investment formed by business combination under common control, the initial cost shall, on the date of acquisition of the final controller, be measured by the share of carrying value of the owner's equity of the acquired entity. The difference between the investment cost, and cash payment and transferred non-cash assets or liabilities on fair value shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings. For the insurance of the equity securities which is seen as consideration cost, the share of the carrying value is recognized as initial investment cost in the consolidated financial statement of the ultimate controlling party's owner's equity. The capital stock is the aggregate nominal amount of the outstanding ordinary shares. The difference between the initial investment cost and the aggregate nominal amount of the long-term equity investment shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.12 Long-term equity investment (Continued)

#### 4.12.1 Determination of investment cost (Continued)

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit or loss for the current period.

For long-term equity investment other than those formed by business combination, the initial cost of other long-term equity investment shall be measured at the amount of actual cash paid, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement, the fair value or carrying value of the assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment itself, and etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.12 Long-term equity investment (Continued)

#### 4.12.2 Subsequent measurement and recognition method of gains and losses

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the Long-term equity investments with joint control or significant influence over invested entities shall be accounted by equity method (except the co-operator). Besides, a long-term equity investment is measured in cost method if the Group is able to control the invested entity.

① Long-term equity investments accounted by cost method

Long-term equity investment stated by applying the cost method shall be measured at initial investment cost. Except those included in the consideration, dividends or profits declared enjoyed by the investor shall be recognized as the current investment income.

② Long-term equity investments accounted by equity method

In the equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, initial cost of the long-term equity investment shall not be adjusted, and if the initial cost of a long-term equity investment lower than the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, the difference shall be recorded into profit or loss for the current year, and the cost of the long-term equity investment shall be adjusted simultaneously.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.12 Long-term equity investment (Continued)

#### 4.12.2 Subsequent measurement and recognition method of gains and losses (Continued)

- ② Long-term equity investments accounted by equity method (Continued)

In the equity method, the investment income and other comprehensive income are recognized in accordance with the proportion of the net profit or loss and other comprehensive income of the invested entity attributable to the investor and adjusting the carrying value of long-term equity investment; It shall be decreased of the carrying value of long-term equity investment according to the portion of the declaration of dividend or cash dividends; It shall adjust the carrying value of long-term equity investment and recognize in capital reserve if there is any other changes besides net profit or loss, other comprehensive income and profit distribution of the owner's equity. The invested entity's profit or loss shall be adjusted on the basis of the fair value of all identifiable assets of the invested entity at the acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits from the jointly ventures and associates attributable to the Group shall be eliminated to recognize the investment income. If there are differences in the accounting policies and accounting period between the company and the invested company, the financial statements shall be adjusted according to the company, and the investment income and other comprehensive income shall be recognized. However, if the unrealized inter- Group loss constitutes impairment of the transferred assets, the losses shall not be adjusted. The investor shall recognize the net losses of the invested entity to the extent that the carrying value of the long-term equity investment and other long-term rights and interests which substantially exist in the net investment to the invested entity is reduced to zero. Furthermore, if the investor has the obligation to reimburse extra losses, the extra obligation shall be recognized as provision and be recognized in investment loss. If the invested entity realizes any net profits in the subsequent periods, the investor shall not recognize its attributable share of profits unless the unrecognized attributable share of loss has been restored.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.12 Long-term equity investment (Continued)

#### 4.12.2 Subsequent measurement and recognition method of gains and losses (Continued)

- ② Long-term equity investments accounted by equity method (Continued)

While preparing consolidated financial statements, the difference, between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion, shall be offset by capital surplus. If the capital surplus is not sufficient to compensate for the difference, the rest shall be offset by retained earnings.

- ③ Acquisition of minority interests

While preparing consolidated financial statements, the difference, between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion, shall be offset by capital surplus. If the capital surplus is not sufficient to compensate for the difference, the rest shall be offset by retained earnings.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.12 Long-term equity investment (Continued)

#### 4.12.2 Subsequent measurement and recognition method of gains and losses (Continued)

##### ④ Disposal of long-term equity investments

In consolidated financial statements, when the parent company disposes part of the investment in subsidiary without losing control power, the difference between the consideration received and the carrying value of net asset disposed shall be recognized in equity, while losing control power of subsidiary due to disposal, the relevant terms in Note.4.5.2 shall be applicable.

Under other means of disposal of long-term equity investment, the difference between the carrying value of disposed investment and the consideration received shall be recognized in the current profit or loss.

If the equity method is still adopted after the disposal of the rest equity, it shall adopt the same accounting policies to other comprehensive income of the equity by proportion, as the invested company disposing the related assets and liabilities. For the other changes of the owner's equity except for the net income or losses, other comprehensive income and profit distribution, originally recognized in the equity shall be transferred into profit or loss by the percentage disposed.

If the cost method still be adopted of remain equity when using cost method of long-term equity investment, the other comprehensive income measured in equity method, or financial instrument recognition and measurement, and when invested company disposing directly the related assets or liabilities; The changes other than net profit or losses, other comprehensive income and profit distribution in net assets, shall be transferred in current profits and losses by percentage.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.13 Fixed Assets

#### 4.13.1 Recognition

Fixed assets plant and equipment refer to the tangible assets held by the Group for producing goods, rendering service, renting or operation and administration purpose with useful lives over 1 year. The fixed assets are recognized only when the economic interests are likely to flow into the company and its cost can be measured reliably. The fixed assets are initially measured only when considering the influence of the cost and the expected impact of the disposal expenses.

#### 4.13.2 Depreciation method of fixed assets

Fixed assets are initially recorded at cost and the estimated asset retirement obligation shall be taken into consideration. From the next month since fixed assets are in state of expected conditions for use, fixed assets are depreciated using the straight-line method over their estimated useful life. The useful life, scrap value rates for each category of fixed assets are as follows:

Category of fixed assets	Useful lives	Annual	
		Estimate residual rate	depreciation rate
		(%)	(%)
Plants and buildings	40 years	3-5	2.375-2.425
Machinery and equipment	17-24 years	3-5	3.958-5.706
Other fixed assets	5-12 years	3-5	7.917-19.40

Estimate residual value refers to the expected disposal proceeds after compensated estimated disposal expenses while the asset is worn out or retired.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.13 Fixed Assets (Continued)

#### 4.13.3 Method for impairment test and recognition of impairment provision

Method of impairment test and measurement of impairment provision of fixed assets, please refer to Note 4.7 "Impairment of non-current assets".

#### 4.13.4 Other explanations

Subsequent expenditure relating to a fixed asset shall be capitalized if the economic benefits related to the fixed asset are likely to flow into the Group and the cost could be measured reliably and the carrying value of replaced parts shall be derecognized. Subsequent expenditures excluding fore-mentioned shall be recorded into current profit and loss.

The proceeds, from fixed asset disposed, transferred, discarded or destroyed, shall be recorded into current profit and loss after deducting carrying value and relevant taxes.

Significant changes of useful life or residual value or depreciation method of fixed asset shall be considered as changes in accounting estimation.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.14 Construction in progress

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress, including the expenditure for the construction project incurred during the construction period, and capitalized borrowing costs before the project is ready for its intended use and other related costs. Construction in progress is transferred to fixed asset while it is ready for its intended use.

Method of impairment test and measurement of the provision of construction in progress, refer to Note 4.17 “Impairment of non-current assets”.

### 4.15 Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange gain or loss on foreign currency borrowings. The borrowing costs, directly attributable to the acquisition, construction or production of assets eligible for capitalization, shall be capitalized while the capital expenditure and borrowing cost has already occurred and the acquisition, construction or production activities necessary to satisfy intended use or get ready for sale have already started. Capitalization of borrowing costs shall be ceased while the qualified for capitalization asset under acquisition and construction or production is ready for its intended use or sale, and other borrowing costs shall be recognized into the current profit and loss while occurred.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.15 Borrowing costs (Continued)

The interests of special borrowings shall be capitalized after deducted the interests or investment income derived from the unused borrowings by depositing in the bank or making short term investment. The amount of interests on general borrowings to be capitalized shall be calculated by multiplying the weighted average of the accumulative capital expenditure exceeding the special borrowings by the capitalization rate of the general borrowings. The capitalization rate is the weighted average rate of interest of general borrowings.

During the period of capitalization, the exchange gain or loss on foreign currency special borrowings shall be capitalized, while general borrowings into the current profit and loss.

Assets eligible for capitalization refers to the fixed assets, investment properties, inventories and other assets, of which the acquisition, construction or production may take quite a long time to get ready for intended use or be sale.

If the acquisition, construction or production of a qualified asset is interrupted abnormally for more than 3 months, the capitalization of borrowing costs shall be suspended, till acquisition, construction or production of the asset restarts



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.16 Intangible assets

#### 4.16.1 Intangible assets

Intangible asset refers to the identifiable non-monetary asset with no physical form, possessed or controlled by the Group.

Intangible asset shall be initially measured at its cost. Subsequent expenditure relevant to an intangible asset shall be recorded into the cost of an intangible asset, if the economic benefits associated with the intangible assets are likely to flow into the Group and the cost can be reliably measured. Other expenditures except mentioned before for an intangible item shall be recorded into the profit or loss for the current period.

Land use right is usually recognized as an intangible asset. For self-constructed plants and buildings, the expenditure on land use right and the cost of constructions shall be recognized as intangible assets and fixed assets respectively. For purchased plants and buildings, the relevant cost shall be allocated between the land use right and plants, and if it is impossible to be allocated, all the relevant cost shall be recognized as fixed assets.

The original value of an intangible asset with a definite useful life shall be amortized by the straight-line method over its useful life after deducting estimate residual value and impairment provision, while intangible assets with indefinite useful life shall not be amortized.

Significant change of useful life and amortization method shall be taken as a change in accounting estimation after reviewing the useful life and the amortization method of intangible assets with definite useful life. After reviewing useful life and economic benefits inflow term of an intangible asset with an indefinite useful life, if the latter is predictable, intangible asset with an indefinite useful life shall be amortized according to policies applying to an intangible asset with a definite useful life.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.16 Intangible assets (Continued)

#### 4.16.2 Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on research phase and expenditure on development phase.

Research expenditure shall be recorded into current profits and losses.

Development expenditure is capitalized as intangible assets if the following conditions were met.

- (i) It is technically feasible to get the intangible asset ready for intended use or for sale;
- (ii) It is intended to get the intangible asset ready for use or sale;
- (iii) The intangible asset could be sold out in prevailing market with profit or be applied to production for well selling products, and could be proven useful for internal use;
- (iv) It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset;
- (v) Development expenditure attributed to the intangible asset could be reliably measured.

While it is difficult to distinguish research phase from the development phase, all expenditure shall be recorded into current profit or loss.

#### 4.16.3 Method of impairment test and measurement of impairment provision

Impairment test and measurement of intangible assets refer to Note 4.17 "Impairment of non-current assets".



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.17 Impairment of non-current assets

Non-financial and non-current assets, such as fixed assets, construction in progress, intangible assets with definite useful life, and long-term equity investments in subsidiaries and joint ventures and associations, judgment shall be made on the balance sheet date, to ensure whether there is any evidence of possible impairment of the assets. If there is, the recoverable amount of the assets shall be estimated and an impairment test shall be conducted. The intangible assets with indefinite useful life and those are not ready for intended use, shall be subject to impairment test every year.

If the recoverable amount of an asset is lower than its carrying value, the difference shall be recognized as impairment loss and a provision shall be made accordingly. The recoverable amount is the higher of fair value of an asset deducted disposal expense and the present value of expected future cash flow from the asset. The fair value of an asset is determined according to the price stipulated in a selling agreement, and if there is no selling agreement but a dynamic market exists, the fair value shall be determined according to a bid from a buyer. If there is neither a selling contract nor a dynamic market, the fair value of an asset shall be estimated based on maximum information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expenses as well as the direct expenses to get the asset ready for sale. The present value of expected future cash flow of an asset shall be established by discounting cash flow generated by continuous use and final disposal of the asset with an appropriate discount rate. Provision for impairment shall be determined on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the asset shall be integrated into an asset group and impairment shall be carried out by the asset group. Asset group refers to minimum group of asset which can generate cash flow independently.

Once impairment loss is recognized, it could not be reversed in subsequent accounting periods.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.18 Projected liabilities

Obligations arising from contingent events shall be recognized as projected liability provided that: ① the Group has a practical obligation as a result of the past event; ② probable economic benefit will flow out to settle the obligation and; ③ the obligation could be measured reliably.

On the balance sheet date, projected liability shall be initially measured at reasonably estimated necessary expenditure for settling the obligation, taking into account the risk and uncertainty and time value of money and other factors related to the contingent event.

If the expenditure necessary for the settlement of an obligation is expected to be reimbursed entirely or partially by a third party, the reimbursement shall be separately recognized as an asset only under the circumstance that it is virtually certain that reimbursement will be received, and shall not exceed the amount of the provision incurred previously.

### 4.19 Revenue

The Group shall recognize the revenue when and, only when, the Group fulfills its performance obligations in a contract and the customer in the contract take the control of the right of the good or service.

Where there are two or more performance obligations included in a contract, the Group shall, on the commencement of the contract, apportion the transaction price to each individual performance obligation in accordance with the relative proportion of each individual selling price of the good or service promised by each individual performance obligation and recognize the income according to the transaction price apportioned to each individual performance obligation.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.19 Revenue (Continued)

The transaction price is the amount of consideration that the Group expects to be entitled to collect for the transfer of a good or service to its customers, excluding payments collected on behalf of third parties. The transaction price recognized by the Group does not exceed the accumulated revenue amount that has been recognized when the relevant uncertainties disappear and the amount is highly unlikely to be returned. The amount expected to return to the customer as a liability will not be included in the transaction price. Where there is a significant financing element in a contract, the Group shall recognize the transaction price based on the cash amounts the Group should receive at the time when the Group acquires the control of a good or service. The difference between the transaction price recognized and the contract consideration shall be amortized by the effective interest rate method during the contract period. On the contract commencement date, the interval under the contract between the anticipated date customers acquire the control over the good or service and the date customers make payments for the good or service does not exceed one year, the Group shall not consider the significant financing element in the contract to determine the transaction price.

If one of the following conditions is satisfied, it is believed that the Group performs its obligations within a certain period of time; otherwise it is believed that the Group performs its obligations at a certain point of time:

- ① Customers are acquiring and are consuming the economic benefits arising from the Group's contract obligation performances while the Group is performing its contract obligations;
- ② Customers are able to control the good under construction by the Group;
- ③ The effects of the good or service produced by the Group in the course of obligation performance are irreplaceable and the Group has the right to collect payments for the part of the performance that has been completed so far throughout the contract period.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.19 Revenue (Continued)

For the contract obligations performed within a certain period of time, the Group shall recognize the revenue in accordance with the progress of the obligation performance. Where the progress of obligation performance cannot be reasonably determined and the cost incurred by the group can be expected to be compensated, the revenue can be recognized according to the amount of cost incurred until the progress of obligation performance can be reasonably determined.

For the obligations performed at a certain point of the time, the Group shall recognize revenue at the point when customers gain control of the right of a good or service. In determining whether a customer has acquired the control of the right of a good or service, the Group will consider the following indications:

- ① the Group has the right to receive cash as the consideration of the good or service immediately;
- ② the Group has transferred the legal title of the goods to the customer;
- ③ the Group has transferred the real good to customers;
- ④ the Group has transferred the substantial risks and rewards of the ownership of the good or the ownership of the good to its customers;
- ⑤ customers have accepted the good or service.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.19 Revenue (Continued)

A contract asset is recognized when the group has transferred a good or service to its customers and has the right to receive consideration. The impairment loss of a contract asset is recognized on the basis of expected credit losses. An account receivable is recognized when the group has, unconditionally, the right to collect consideration from customers. A contractual liability is recognized when the Group has the obligation to transfer a good or service to its customers in consideration of its account receivables.

### 4.20 Government grants

Government grant is the gratuitous monetary asset or non-monetary asset received from the government, excluding the capital injected by the government as an investor. Government grant is classified into government grant pertinent to assets and government grants pertinent to income.

Government grant, designed to purchase or construct or form long-term assets, shall be recognized as a government grant pertinent to assets while others classified into government grants pertinent to income. Government grant received without clear objective shall be categorized according to following rules: (i) government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date; (ii) government grant shall be categorized as pertinent to income if its usage is just subject to general statement but specific project in relevant document.

A government grant of monetary asset shall be measured at the amount received or receivable while government grant of non-monetary asset at fair value. If fair value cannot be obtained in a reliable way, government grant of a non-monetary asset shall be measured at its nominal amount and recorded into profit and loss for the current year accordingly.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.20 Government grants (Continued)

Government grant shall be recognized while received and be measured at the amount received. If there concrete evidence demonstrates that relevant monetary or non-monetary assets are likely to be received in terms of fiscal supporting policy, government grant shall be measured at the receivable amount. Generally, government grant shall be measured at receivable amount while all the following conditions are satisfied simultaneously: ① Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty; ② The fiscal Funds Management Regulations, which will be of benefit to any enterprise but designed enterprise, are formally published according to the Regulations on Government Information Disclosure, and fiscal support projects are initiatively disclosed; ③ It is reasonable assure that government grant, scheduled in the relevant government documents and guaranteed by the fiscal budget, could be received on schedule.

Government grant pertinent to assets shall be initially recognized as deferred income and amortized into profit and loss on a straight-line basis over the useful life of the relevant asset. Government grant pertinent to income, designed to compensate future expenses or loss in subsequent periods, shall be initially recognized as deferred income and recorded to profit and loss in subsequent periods while relevant expenses occur or loss incurs.

Government grants related to the daily activities of the Group are included in other income in accordance with the nature of the economic business; government grants not related to daily activities are included in the non-operating income and expenditure.

If recognized government grant need be returned, the balance of relevant government grant shall be returned first and the shortage shall be recorded into current profit and loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.21 Deferred income tax asset and liability

#### 4.21.1 Current income tax

On the balance sheet date, the current income tax liability (or asset) incurred in the current period or prior periods shall be measured at expected payable (refundable) amount of income tax in terms of the tax law. Current income tax shall be calculated based on the taxable income resulted from accounting profit before tax adjusted in terms of the relevant tax law and regulations.

#### 4.21.2 Deferred income tax asset and liability

Deferred income tax asset and liability are calculated on the base of temporary difference between the carrying amount of the relevant asset and liability, and the amount by the relevant tax law and regulations by liability method.

If deductible temporary difference relate to initial recognition of good will, and not result from business combination and relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, relevant deferred income tax asset shall not be recognized. Moreover, for taxable temporary difference related to investment to subsidiaries, associates and joint ventures, if the group is able to schedule the reversal of temporary difference which is unlikely to be reversed in the excepted future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.21 Deferred income tax asset and liability (Continued)

#### 4.21.2 Deferred income tax asset and liability (Continued)

If deductible temporary difference relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, or not result from business combination, relevant deferred income tax asset shall not be recognized. Moreover, for deductible temporary difference related to investment to subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future or to be compensated by future taxable income, deferred income tax asset shall not be recognized. Except the above-mentioned, deferred income tax asset resulted from any other deductible temporary difference shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate a deductible temporary difference.

As for deductible loss or tax deduction that can be carried forward to next year, the corresponding deferred tax assets shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate deductible loss and tax payable.

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled.

After reviewing the carrying value of deferred tax asset on the balance sheet date, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.21 Deferred income tax asset and liability (Continued)

#### 4.21.3 Income tax expenses

Income tax expenses comprise current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction recorded into other comprehensive income or shareholder's equity, shall be recorded into other comprehensive income or shareholder's equity, while resulted from a business combination shall be taken as an adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit or loss.

### 4.22 Leases

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or included a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customer in the contract is entitled to almost all of the economic benefits arising from the use of the identified assets and has the right to leads the use of identified assets during the period of use.

If the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met: ① the lessee may profit from using the asset alone or in conjunction with other resources that are readily available; ② there is no high dependence or high correlation between the asset and other assets in the contract.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.22 Leases (Continued)

If the contract includes both the lease and non-lease parts, the lease and non-lease parts are separated and accounted for when the Group acts as the lessor and lessee.

#### 4.22.1 Lease to a lessee

##### 4.22.1.1 Initial measurement

On the lease start date, the Group recognizes its right to use the leased asset over the lease term as the right-of-use asset, and recognizes the present value of the lease payments that have not been paid as lease liability, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate.

##### 4.22.1.2 Subsequent measurement

In the subsequent measurement, if it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group depreciates the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.22 Leases (Continued)

#### 4.22.1 Lease to a lessee (Continued)

##### 4.22.1.2 Subsequent measurement (Continued)

The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period.

The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, the evaluated result of the purchase option, the renewal option or the termination option or the actual exercise situation changes, the Group re-measures the lease liability according to the present value of the changed lease payment, and adjusts the book value of the right-of-use asset accordingly. The carrying amount of the right-of-use asset has been reduced to zero. However, if the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.22 Leases (Continued)

#### 4.22.1 Lease to a lessee (Continued)

##### 4.22.1.3 Lease change

The lease change is the lease scope, lease consideration, and lease term change outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease: ① the lease change expands the scope of the lease by increasing the right to use one or more leased assets; ② the increased consideration and the individual price of the enlarged part of the lease are equivalent to the amount adjusted by the contract.

If the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; If it is not possible to determine the lease interest rate for the remaining lease period, the Group's incremental borrowing rate at the effective date of the lease change is used as the discount rate.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.22 Leases (Continued)

#### 4.22.1 Lease to a lessee (Continued)

##### 4.22.1.3 Lease change (Continued)

In view of the above effects of the adjustment of the lease liability, the Group distinguishes between the following cases for accounting treatment: ① if the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognises the related gains on the termination or the complete termination of the leases into the current profits and losses; ② for other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

##### 4.22.1.4 Short-term leases and low-value asset leases

The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During the period of the lease term, the related asset cost or current profit and loss is included in the straight-line method.

#### 4.22.2 Operational lease to a lessor

Rental received from operational lease shall be recorded in the profit and loss for the current period by a straight-line approach over the lease term. Initial direct significant cost occurred shall be capitalized when actually occur, and subsequently recorded into the profit and loss according to the way, by which the rental recorded into profit or loss. Contingent rental shall be recorded into profit and loss in when actually occur.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.22 Leases (Continued)

#### 4.22.3 Finance lease as a lessor

At the commencement of lease term, finance lease receivable shall be measured at the sum of minimum lease receipts and initial direct cost, risk exposure shall be recorded simultaneously, and unrealized finance income shall be measured at the difference between the sum of minimum finance lease receipt and initial direct expenditure and risk exposure, and its present value. Finance lease receivable deducted by unrealized finance income shall be separately listed as long-term receivable and long-term receivable due within one year according to its due term.

Unrecognized finance income shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

#### 4.22.4 Sale-Leaseback Transactions

As a lessee, if the transfer of assets in the sale and leaseback transaction belongs to sales, The Group, as a lessee, measures the right-of-use assets formed by the sale and leaseback based on the portion of the book value of the original assets related to the use rights obtained from the leaseback, and only recognize the relevant gains or losses on the right transferred to the lessor; if the transfer of assets in the sale and leaseback transaction is not part of the sale, the Group continues to recognize the transferred assets as the lessee and also recognizes a financial liability equal to the transfer income.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.22 Leases (Continued)

#### 4.22.4 Sale-Leaseback Transactions (Continued)

When the lessor is a seller, if the asset transfer in the sale and leaseback transaction belongs to the sales, The Group accounts it for the purchase of the asset as the lessor, and performs accounting treatment on the asset lease according to the foregoing provisions; if the asset transfer in the sale and leaseback transaction does not belong to the case of sales, the Group as the lessor does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income.

### 4.23 Contract liabilities

Contract liabilities reflect the obligation of the Group to transfer goods to customers due to the consideration received or receivable by the Group. Before the Group transfers the goods to the customer, the customer has already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration. The Group confirms the contract liability according to the amount received or receivable, at the earlier of the actual payment and the due payment due by the customer.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.24 Employee benefits

The employee benefits, including short-term employee benefits, post-employment benefits, terminal benefits and other long-term employee benefits.

Short-term employee benefits, including wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing fund, labor union funds, employee education fund and non-monetary benefits. The short-term employee benefits are recognized as liabilities when actually incurred of rend services from the employees during the accounting period and eventually recognized in current profit or loss or related assets cost. The non-monetary benefits are measured at fair value.

Post-employment benefits include making contribution plans, which include basic old-age insurance, unemployment insurance and annuities and etc. The amount shall be accrued to the relevant assets cost or profit or loss.

The Group shall recognize the termination benefits as a provision and report in profit or loss accordingly, when the company is not able to withdraw the termination benefits unilaterally due to the relief of labor relationship or lay-off proposal, the terminal benefits are recognized as employee liabilities and recognized in profit or loss at the date which is earlier between recognizing and paying off the terminal benefits related to the recombination. However, terminal benefits shall be recognized as long-term employee benefits if the benefits cannot be settled within 12 months after the reporting date.

The group applied an internal retirement plan which shall be accounted in terms of above-mentioned principal to the termination benefits. Salary and social insurance expected to be paid shall be recorded into current profit or loss from the date stopping rendering service to the normal retirement date, if the relevant expenditure satisfies the recognition criteria of contingent liability.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.25 Changes of significant accounting policies and estimates

#### 4.25.1 Changes in accounting policies

##### 4.25.1.1 Main content and reasons for the change

The following amendments and interpretations on Accounting Standards for Business Enterprises are introduced and issued by Ministry of Finance in Year 2018 and 2019:

Amendments to ASBE No. 21 Lease (“New lease standards”);

Notices on the revision of the format of Financial Statements for General Business Enterprises for Fiscal Year 2019 (<2019> No. 6 Issued by Ministry of Finance).

The above-mentioned amendments and interpretations of the Accounting Standards for Business Enterprises have been applied by the Group and adjusted the relevant contents of the accounting policies, effectively 1 January 2019.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.25 Changes of significant accounting policies and estimates (Continued)

#### 4.25.1 Changes in accounting policies (Continued)

##### 4.25.1.2 The main impact of the change

###### A: New lease standards

According to the original lease standard, the rental expenses of the operating leased assets are recognized as related assets or expenses during the lease term. After the revision, the lessee should identify whether it constitutes a lease at the first and account for the lease contract that meets the lease definition in accordance with the requirements of the new lease standard. At initial recognition, the operating lease assets recognise the lease liability based on the present value of the lease payments that have not been paid on the lease start date, and the right-of-use assets and other costs (such as initial expenses, recovery obligations, etc.) are recognized. In the subsequent measurement, the right-of-use asset is depreciated and the depreciation expense is recognized, and the interest expense of the lease liability is recognized by the effective interest method. For the short-term leases and low-value asset leases, you choose to not recognize the right-of-use assets and lease liabilities. At the same time, the specific requirements for disclosure of financial reports were raised for related matters. There is no substantial changes in the aspects of leasing and leasing of financial leasing methods.

The Group's existing tenancy contracts are short-term leases. Simplifying the processing has been applied and have no significant impact on the Group's financial statements. At the same time, the Group did not adjust the data of the comparative financial statements.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.25 Changes of significant accounting policies and estimates (Continued)

#### 4.25.1 Changes in accounting policies (Continued)

##### 4.25.1.2 The main impact of the change (Continued)

#### B: Presentation and disclosure

The Group has prepared the interim financial report for year 2019 in accordance with the financial statement format stipulated in [2019] No.6 Notice issued by Ministry of Finance and retrospective adjusted the presentation of the relevant financial statements.

The presentation and disclosures are the followings:

Accounts which are affected on Consolidated Statement of Financial Position and Statement of Financial Position of Parent Company:

#### Consolidated Balance Sheet

Items	2018-12-31 before retroactively adjusting the new report format	Impact of new report format changes	2018-12-31 after retroactively adjusting the new report	Impact of changes in accounting policies on new lease standards	2019-1-1
<b>Assets:</b>					
Notes receivable		7,184	7,184		7,184
Accounts receivable		2,460	2,460		2,460
Notes receivable and accounts receivable	9,644	-9,644			
<b>Liability:</b>					
Notes payable		1,400	1,400		1,400
accounts payable		7,663	7,663		7,663
Notes payable and accounts payable	9,063	-9,063			



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.25 Changes of significant accounting policies and estimates (Continued)

#### 4.25.1 Changes in accounting policies (Continued)

##### 4.25.1.2 The main impact of the change (Continued)

B: Presentation and disclosure (Continued)

Items	Balance Sheet				2019-1-1
	2018-12-31 before retroactively adjusting the new report format	Impact of new report format changes	2018-12-31 after retroactively adjusting the new report	Impact of changes in accounting policies on new lease standards	
<b>Assets:</b>					
Notes receivable		6,249	6,249		<b>6,249</b>
Accounts receivable		3,239	3,239		<b>3,239</b>
Notes receivable and accounts receivable	9,488	-9,488			
<b>Liability:</b>					
Notes payable		1,370	1,370		<b>1,370</b>
accounts payable		6,976	6,976		<b>6,976</b>
Notes payable and accounts payable	8,346	-8,346			

Changes in accounting policies do not affect the consolidated income statement and company income statement items in current period.

4.25.2 There is no changes in estimates for this period.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.26 Corrections of prior period errors

There is no correction of prior year errors for the period.

### 4.27 Significant accounting judgments and estimates

Judgments, estimates and assumptions shall be made to financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Management bases its judgments, estimates and assumptions on historical experience and other various factors, these judgments will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only influence the current period, relevant adjustment due to the effect shall be recognized in the current period; otherwise, in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.27 Significant accounting judgments and estimates (Continued)

#### 4.27.1 Write-down of inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose historical costs are higher than the net realizable, provision for write-down of inventories shall be incurred. The carrying value of inventory shall be written down to the net realizable value on the basis of the salability of inventories and the net realizable value. Inventory write-down shall be incurred in consideration of solid evidence and the purpose of holding inventories and the effect of subsequent events and etc. The difference between the actual outcome and the previously estimated outcome will influence the carrying value of inventories and accrual or reversal of provision for write-down of inventories during the period accounting estimates are changed.

#### 4.27.2 Impairment of non-current assets

On the balance sheet date, the Group shall judge whether there is any possible indication of impairment against non-financial non-current assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-financial non-current assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.27 Significant accounting judgments and estimates (Continued)

#### 4.27.2 Impairment of non-current assets (Continued)

Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of its fair value deducted disposal expenses and the present value of expected future cash flow.

The fair value deducted by disposal expenditure is determined in consideration that sale agreement regarding analogous asset, and approachable market price and relevant dispose expenditures.

Significant judgments regarding the production amount, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made, while determining the present value of future cash flows. Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made based on reasonable and supportive assumptions.

#### 4.27.3 Depreciation and amortization

Fixed and intangible assets are depreciated and amortized by a straight-line approach over their estimated useful life by taking the residual value into consideration. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4.27 Significant accounting judgments and estimates (Continued)

#### 4.27.4 Deferred tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent of the amount of deductible taxable income. In order to determine the amount of deferred tax assets, the management needs to predict the timing and the amount of taxable profits in the future by taking into account the influence of tax planning.

#### 4.27.5 Income tax

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the carrying amount, such differences will impact the current and deferred tax.

#### 4.27.6 Early retirement pension and supplementary social pension

Expense and liability resulted from early retirement pension and supplementary social pension are determined based on a variety of assumptions, including the discount rate, the growth rate of average medical cost, the growth rate of retired employees' subsidies and other factors. Differences between actual and estimated results will be recognized accordingly as current expenses. Although the management believes that the assumptions are reasonable, the changes in actual empirical value and assumptions will affect the amount of expenses and the balance of liabilities resulted from early retirement pension and supplementary social pension.



## 5. TAXATION

### Main taxes and tax rates

Type of tax	Specific tax rate
Value added tax ("VAT")	Output VAT is calculated based on taxable income, according to the applicable tax rate, and deducting the VAT from the difference after deduction of input tax in current period
City construction and Education surtax	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 25%
Custom duty	FOB: 5%–15%
Environmental protection tax	Atmospheric pollutants: according to the pollution equivalent amount of the pollutant discharge amount * 1.2; Water pollutants: the pollution equivalent amount of the pollutant discharge amount * 1.4; Solid waste: according to the discharge of solid waste * 25; Noise: Over-standard noise synthesis coefficient * 350, 700, 2800 or 1400.



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, this period refers to the first six months of year 2019, last period refers to the first six months of year 2018.

#### 6.1 Cash and cash equivalents

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Cash		
Bank deposits	<b>1,590</b>	2,015
Other cash balance	<b>191</b>	139
<b>Total</b>	<b>1,781</b>	2,154

#### 6.2 Derivative financial assets

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Future contracts		1
<b>Total</b>		1



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.3 Notes receivable

#### 6.3.1 Classification of notes receivable

Items	30 June 2019			31 December 2018		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank Acceptance Notes	4,680	27	4,653	6,837		6,837
Commercial Acceptance Notes	410		410	347		347
<b>Total</b>	<b>5,090</b>	<b>27</b>	<b>5,063</b>	<b>7,184</b>		<b>7,184</b>

#### 6.3.2 Notes receivable of the Company pledged as of 30 June 2019

Items	Pledged Notes by End of 30 June 2019
Bank Acceptance Notes	287
<b>Total</b>	<b>287</b>

*Note:* The group has pledged notes receivable which values RMB287 million to the bank to gain the notes payable of RMB282 million, of which the pledge period is from January 2019 to November 2019.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.3 Notes receivable (Continued)

6.3.3 Notes receivable that have been endorsed or discounted and have not expired at the end of 30 June 2019

<b>Items</b>	<b>Amount of Termination Confirmation</b>	<b>Amount of Non-termination Confirmation</b>
Bank Acceptance Notes	<b>28,299</b>	<b>77</b>
Commercial Acceptance Notes	<b>21</b>	
<b>Total</b>	<b>28,320</b>	<b>77</b>

*Note1:* As of 30 June 2019, there were bank acceptance notes that had been expired but not honoured, which was RMB557 million. The notes were not derecognised because it was more likely to be pursued by the back-end discounted party.

*Note2:* The Group has discounted but not derecognised the notes, which are recognized as a liability based on the carrying amount of the notes (refer to Note 6.26). The difference between the discounted amount and the carrying amount of the notes is included in the financial expenses.

6.3.4 No notes receivable were transferred to accounts receivable due to insolvency of the issuer as of 30 June 2019.



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.4 Accounts receivable

#### 6.4.1 Classification of Accounts Receivable

Items	30 June 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	83	2.81	82	98.80	1
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,870	97.19	1	0.03	2,869
Risk group combination on the basis of aging-matrix	953	32.27			953
	1,917	64.92	1	0.05	1,916
<b>Total</b>	<b>2,953</b>	<b>100.00</b>	<b>83</b>	<b>2.81</b>	<b>2,870</b>

Items	31 December 2018				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	83	3.26	82	98.80	1
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,460	96.74	1	0.04	2,459
Risk group combination on the basis of aging-matrix	828	32.56			828
	1,632	64.18	1	0.06	1,631
<b>Total</b>	<b>2,543</b>	<b>100.00</b>	<b>83</b>	<b>3.26</b>	<b>2,460</b>



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.4 Accounts receivable (Continued)

6.4.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2019			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	67	66	99	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd	15	15	100	The company has gone into liquidation
Other	1	1	100	The production line is discontinued. etc
Total	83	82	-	-



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.4 Accounts receivable (Continued)

6.4.3 Accounts Receivable for which bad debts prepared based on aging-matrix risk group combination

aging	30 June 2019			31 December 2018		
	Book Value	Bad Debt Provision	Percentage (%)	Book Value	Bad Debt Provision	Percentage (%)
Within 1 year	1,801		0	1,625		0
1 to 2 years	110		3.2	5		3.2
2 to 3 years	5		9.9	1		9.9
3 to 4 years			28.9			28.9
4 to 5 years			37.7			37.7
Over 5 years	1	1	100.00	1	1	100.00
Total	1,917	1	-	1,632	1	-

6.4.4 Accounts Receivable classified by aging

Aging	30 June 2019	31 December 2018
Within 1 year	2,677	2,402
1 to 2 years	121	17
2 to 3 years	25	17
3 to 4 years	42	32
4 to 5 years	68	74
Over 5 years	20	1
Total	2,953	2,543

Note: the above aging analysis is based on the invoice date.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.4 Accounts receivable (Continued)

#### 6.4.5 Bad debt provision

Type	31 December 2018	Increase/Decrease		30 June 2019
		Bad debt provision	Resale or Reverse verification	
Accounts Receivable	83			<b>83</b>

#### 6.4.6 Accounts receivable written off this period

No accounts receivable were written off this period.

#### 6.4.7 The condition of accounts receivable of the top five debtors by the balances as of 30 June 2019

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB1,429 million as of 30 June 2019, which accounted for 48.39% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to 0 at 30 June 2019.



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.5 Prepayments

#### 6.5.1 Prepayments classified by aging

Items	30 June 2019		31 December 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,669	97.43	1,382	98.16
1 to 2 years	44	2.57	22	1.56
2 to 3 years			4	0.28
Over 3 years				
<b>Total</b>	<b>1,713</b>	<b>100.00</b>	1,408	100.00

#### 6.5.2 The condition of prepayment of the top five debtors by the balances at the end of the period

The prepayment balance of the top five debtors is RMB1,133 million in total, accounting for 66.14% of the prepayment balance on 30 June 2019.

### 6.6 Other receivables

Items	30 June 2019	31 December 2018
Interests receivable		
Dividends receivable		
Other receivables	18	50
<b>Total</b>	<b>18</b>	50



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.6 Other receivables (Continued)

6.6.1 The condition of other receivables

6.6.1.1 Classification of other receivables

Items	30 June 2019				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	28.12	9	100.00	
Other receivables for which bad debt is prepared based on group combination	23	71.88	5	21.74	18
Including: Risk-free group combination	1	3.13			1
Risk group combination on the basis of aging-matrix	22	68.75	5	22.73	17
<b>Total</b>	<b>32</b>	<b>100.00</b>	<b>14</b>	<b>43.75</b>	<b>18</b>



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.6 Other receivables (Continued)

#### 6.6.1 The condition of other receivables (Continued)

##### 6.6.1.1 Classification of other receivables (Continued)

Items	31 December 2018					Net Book Value
	Book Value		Bad Debt Provision			
	Amount	Percentage (%)	Amount	Percentage (%)		
Other receivables subject to separate assessment for bad debts provision	9	14.06	9	100.00		
Other receivables for which bad debt is prepared based on group combination including: Risk-free group combination	55	85.94	5	9.09	50	
Risk group combination on the basis of aging-matrix	33	51.56			33	
	22	34.38	5	22.73	17	
<b>Total</b>	<b>64</b>	<b>100.00</b>	<b>14</b>	<b>21.88</b>	<b>50</b>	



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.2 Other receivables classified by nature

<b>Type</b>	<b>30 June 2019</b>	31 December 2018
Petty cash	<b>10</b>	14
Angang Guangzhou Automobile Steel Co., Ltd. loans		33
The service fee of land acquisition	<b>9</b>	9
Others	<b>13</b>	8
<b>Total</b>	<b>32</b>	64

6.6.1.3 Other receivables classified by aging

<b>Aging</b>	<b>30 June 2019</b>	31 December 2018
Within 1 year	<b>18</b>	43
1 to 2 years	<b>1</b>	1
2 to 3 years		7
3 to 4 years	<b>4</b>	
4 to 5 years		
Over 5 years	<b>9</b>	13
<b>Total</b>	<b>32</b>	64



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.6 Other receivables (Continued)

6.6.1 The condition of other receivables (Continued)

6.6.1.4 Bad debt provision at the end of the period

Type	31 December 2018	Increase/Decrease		30 June 2019
		Bad debt provision	Resale or Reverse verification	
Other receivables	14			14

6.6.1.5 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group was RMB26 million at 30 June 2019, which accounted for 81.25% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB9 million.



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.7 Inventory

##### 6.7.1 Classification of Inventory

Items	30 June 2019		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	3,352	83	3,269
Work in progress	3,697	356	3,341
Finished goods	5,367	68	5,299
Goods shipped in transit			
Revolving materials	881	8	873
Spare parts	1,091	44	1,047
Materials in transit	244		244
Work in progress- outsourced	37		37
Total	14,669	559	14,110



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.7 Inventory (Continued)

#### 6.7.1 Classification of Inventory (Continued)

Items	31 December 2018		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	3,150	63	3,087
Work in progress	3,689	381	3,308
Finished goods	4,599	161	4,438
Goods shipped in transit			
Revolving materials	810	8	802
Spare parts	1,295	49	1,246
Materials in transit	199		199
Work in progress- outsourced	45		45
<b>Total</b>	<b>13,787</b>	<b>662</b>	<b>13,125</b>



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.7 Inventory (Continued)

#### 6.7.2 Changes in Inventory falling price reserves

Items	31 December 2018	Increment of the year	Decrement of the year	30 June 2019
		Inventory falling price reserves	Written Back	
Raw materials	63	20		83
Work in progress	381	25	50	356
Finished goods	161	1	94	68
Revolving materials	8			8
Spare parts	49		5	44
<b>Total</b>	<b>662</b>	<b>46</b>	<b>149</b>	<b>559</b>

*Note:* The net realizable value for finished goods and the relevant raw materials is lower than the cost, therefore, provision for inventory was accrued at the end of the period. Meanwhile, due to market price recovery or product cost decline, part of inventory's net realized value is higher than its book value, therefore, the provision is reversed within the amount of its original provision.

### 6.8 Other current assets

Items	30 June 2019	31 December 2018
The amount of input tax to be deducted and certified	171	165
Input tax retained	375	361
<b>Total</b>	<b>546</b>	<b>526</b>



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.9 Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2018	Increase/Decrease		Other comprehensive
		Increase	Decrease	
<b>Jointly venture</b>				
TKAS Auto Steel Company Limited ("ANSC – TKS")	600			32
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	228			(7)
Guangzhou automobile Steel	311			8
Sub-total	1,139			33
<b>Associated venture</b>				
Angang Group Finance Co., Ltd ("Angang Finance")	1,376			37
Anshan Anshan Iron Oxide Powder Co., Ltd. ("Iron oxide powder company")	2			2
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	56	13		(4)
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	99			(1)
Guangzhou Bao Steel Processing Co. ("Guangzhou steel")	79	36		3
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	18	21		(1)
Chaoyang Zhong'an Water Co., Ltd. ("Zhong'an Water")	34			1
Sub-total	1,664	70		37
Total	2,803	70		70



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.9 Long-term equity investments (Continued)

Details of long-term equity investments (Continued)

The Invested Entity	Increase/Decrease				Closing Value	Closing Value of the Provision for Impairment
	Other Equity Changes	Declaration of Cash Dividends or Profits	Provision for impairment Loss	Others		
<b>Jointly venture</b>						
ANSC – TKS		(114)		33	551	
ANSC – Dachuan					221	
Guangzhou automobile Steel				3	322	
Sub-total		(114)		36	1,094	
<b>Associated venture</b>						
Angang Finance "iron oxide powder company"		(67)			1,346	4
Nansha Logistical AISSG					65	98
"Guangzhou steel"					118	
"Meizhou Motor Company"					38	
Zhong'an Water					35	
Sub-total		(67)			1,704	
Total		(181)		36	2,798	



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.10 Other investments in equity instruments

#### 6.10.1 Details of other investments in equity instruments

The Invested Entity	Book Balance	
	30 June 2019	31 December 2018
WISDRI Engineering & Research Incorporation Limited Company ("WISDRI")	367	351
Tianjin Angang Tiantie Cold Rolled Sheet Co., Ltd. ("Tianjin Tiantie")		
Heilongjiang Longmay Mining Group Co., Ltd. (hereinafter referred to as "Longmay Group")	37	38
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Anshan Falan")	23	24
Dalian Shipbuilding Industry Co., Ltd Shipyard Company (hereinafter referred to as "Dalian Shipyard")	19	18
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd (hereinafter referred to as "China Shipbuilding")	4	5
Dalian Shipbuilding Industry Group Steel Co., Ltd (hereinafter referred to as "Dalian Steel")		63
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. (hereinafter referred to as "Guoqi Lightweight")	3	3
Changsha Baosteel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	14	13
Shanghai Ouye Chemical Po Electronic Commerce Co., Ltd. (hereinafter referred to as "Shanghai Ouye")	2	2
Jindian (Hangzhou) Technology Co., Ltd. ("Jindian")	1	2
<b>Total</b>	<b>470</b>	<b>519</b>



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.10 Other investments in equity instruments (Continued)

##### 6.10.2 Analysis of other investments in equity instruments

<b>Items</b>	<b>30 June 2019</b>
Stock investment including: Hongkong Mainland China	
Non-stock investment	<b>470</b>
<b>Total</b>	<b>470</b>



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.10 Other investments in equity instruments (Continued)

#### 6.10.3 Non-tradable investments in equity instruments current period

Items	Recognized dividend income current year	Accumulated gain	Accumulated loss	Other comprehensive income transfer to retained earnings	Designation Reason (measured at fair value and the changes of their value are recorded in other comprehensive income)	Reason (other comprehensive income transfer to retained earnings)
WISDRI	6	232				
Tianjin Tiantie			(185)	(185)		Bankruptcy reorganization, write-off investment
Longmay Group			(208)			
Anshan Falan	1	2				
Dalian Shipyard			(132)			
China Shipbuilding			(6)			
Dalian Steel			(69)			
Guoqi Lightweight						
Changsha steel	2		(3)			
Shanghai Ouye						
Jindian			(1)			
Total	9	234	(604)	(185)		

*Note:* The Group's investment in equity instruments that are not quoted in the open market is an investment that the Group plans to hold for a long period of time. Therefore, the Group designates it as a financial asset that is measured at fair value and whose changes are included in other comprehensive income.



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.11 Other non-current financial assets

<b>The Invested Entity</b>	<b>Book Value</b>	
	<b>30 June 2019</b>	31 December 2018
ZhuYe Group	<b>45</b>	35
<b>Total</b>	<b>45</b>	35

*Note:* The Group's equity instruments that are active in the open market and are quoted are designated as financial assets measured at fair value through profit or loss. As the Group plans to hold the investment of ZhuYe Group for a strategic purpose, the investment is reclassified to other non-current financial assets at the end of the period.



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.12 Fixed assets

#### 6.12.1 Analysis of fixed assets

Items	Houses and Buildings	Machineries and Equipment	Others	Total
<b>Original Cost</b>				
1. Balance at 31 December 2018	32,059	79,177	5,829	117,065
2. Increase in the period	(102)	690	121	709
① Purchase	1	4	3	8
② Transform from projects under construction	102	444	162	708
③ Increase from business combination				
④ Others	(205)	242	(44)	(7)
3. Decrease in the period	25	98	11	134
① Disposal or scrap	25	98	11	134
② Others				
4. 30 June 2019	31,932	79,769	5,939	117,640
<b>Accumulated depreciation</b>				
1. 31 December 2018	11,486	47,447	4,867	63,800
2. Increase in current period	353	1,292	104	1,749
① Depreciation for current period	361	1,278	110	1,749
② Increase from business combination				
③ Others	(8)	14	(6)	
3. Decrease in current period	11	82	6	99
① Disposal or scrap	11	82	6	99
② Others				
4. Balance at 30 June 2019	11,828	48,657	4,965	65,450



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.12 Fixed assets (Continued)

#### 6.12.1 Analysis of fixed assets (Continued)

Items	Houses and Buildings	Machineries and Equipment	Others	Total
<b>Provision for impairment</b>				
1. Balance at 31 December 2018	528	2,528	145	3,201
2. Increase				
① Provision for current period				
② Others				
3. Decrease				
① Dispose or scrap				
② Others				
4. 30 June 2019	528	2,528	145	3,201
<b>Book Value</b>				
1. 30 June 2019	19,576	28,584	829	48,989
2. 31 December 2018	20,045	29,202	817	50,064



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.12 Fixed assets (Continued)

#### 6.12.2 Temporarily idle fixed assets

Items	Original Cost	Accumulated depreciation	Provision for impairment	Book Value	Notes
Houses and buildings					
Machineries and Equipment	13	13			
Transports					
Others					
<b>Total</b>	<b>13</b>	<b>13</b>			

#### 6.12.3 Fixed assets leased out by operating lease

Type	30 June 2019	31 December 2018
Houses and buildings	21	21
Machineries and Equipments	6	7
<b>Total</b>	<b>27</b>	<b>28</b>

### 6.13 Construction in progress

Items	30 June 2019	31 December 2018
Construction in progress	2,446	1,447
Construction materials	42	11
<b>Total</b>	<b>2,488</b>	<b>1,458</b>



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.13 Construction in progress (Continued)

#### 6.13.1 Construction in progress

##### 6.13.1.1 Details of constructions in progress

Item	30 June 2019			31 December 2018		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
Resource storage and operation center of Mountain Ling stockyard block ore pellet yard shed closed project	74		74	52		52
4,300 thick plate line new pre-straightening machine and cold straightening machine project	273		273	273		273
Chemical Industry Department Coal Tar Processing Product Quality Upgrade and Variety Structure Adjustment Project				133		133
Large-scale modification project of 1# slab casting machine of No. 3 Plant of Steelmaking General Plant	99		99			
New slab surface cleaning device project of No. 3 Plant of Steelmaking Plant				64		64
One Dust Removal Project of A, B and C Converters of No. 4 Plant of Steelmaking Plant	86		86	28		28
New 40,000 tons/year needle coke project of Chemical Industry Department	316		316	218		218
Premium steel rope project	78		78	60		60
Anshan Steel Co., Ltd. Bayuquan Coal Mine adds coal storage silo environmental protection	242		242	48		48
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment to Anshan Steel's Bayuquan 1# sintering machine	107		107	60		60
Others	1,177	6	1,171	517	6	511
<b>Total</b>	<b>2,452</b>	<b>6</b>	<b>2,446</b>	<b>1,453</b>	<b>6</b>	<b>1,447</b>



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.13 Construction in progress (Continued)

#### 6.13.1 Construction in progress (Continued)

##### 6.13.1.2 Changes in major constructions in progress

Items	Items Budget	31 December 2018	Increase of the period	Transferred into fixed assets	Other decrease	30 June 2019
Resource storage and operation center of Mountain Ling stockyard block ore pellet yard shed closed project	92	52	22			74
4,300 thick plate line new pre-straightening machine and cold straightening machine project	358	273				273
Chemical Industry Department Coal Tar Processing Product Quality Upgrade and Variety Structure Adjustment Project	158	133	9	142		
Large-scale modification project of 1# slab casting machine of No. 3 Plant of Steelmaking General Plant	279		99			99
New slab surface cleaning device project of No. 3 Plant of Steelmaking Plant	162	64	78	142		
One Dust Removal Project of A, B and C Converters of No. 4 Plant of Steelmaking Plant	176	28	58			86
New 40,000 tons/year needle coke project of Chemical Industry Department	458	218	98			316
Premium steel rope project	127	60	18			78
Anshan Steel Co., Ltd. Bayuquan Coal Mine adds coal storage silo environmental protection	480	48	194			242
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment to Anshan Steel's Bayuquan 1# sintering machine	230	60	47			107
Others		511	1,109	424	25	1,171
<b>Total</b>		<b>1,447</b>	<b>1,732</b>	<b>708</b>	<b>25</b>	<b>2,446</b>

# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.13 Construction in progress (Continued)

#### 6.13.1 Construction in progress (Continued)

##### 6.13.1.2 Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of Which: Capitalized this Period	Capitalization Rate (%)	Expenditure Over Budget (%)	Project Progress (%)	Resource of Fund
Resource storage and operation center of Mountain Ling stockyard block ore pellet yard shed closed project	2	1	0.36	81	99	Self-financing
4,300 thick plate line new pre- straightening machine and cold straightening machine project				76	99	Self-financing and government financing
Chemical Industry Department Coal Tar Processing Product Quality Upgrade and Variety Structure Adjustment Project	5	2	0.36	90	97	Self-financing
Large-scale modification project of 1# slab casting machine of No. 3 Plant of Steelmaking General Plant	5			85	99	Self-financing
New slab surface cleaning device project of No. 3 Plant of Steelmaking Plant	3	2	0.36	88	99	Self-financing
One Dust Removal Project of A, B and C Converters of No. 4 Plant of Steelmaking Plant	2	2	0.36	49	65	Self-financing
New 40,000 tons/year needle coke project of Chemical Industry Department				69	95	Self-financing
Premium steel rope project				62	96	Self-financing
Anshan Steel Co., Ltd. Bayuquan Coal Mine adds coal storage silo environmental protection				50	50	Self-financing
Reconstruction project of adding activated carbon flue gas desulfurization and denitration equipment to Anshan Steel's Bayuquan 1# sintering machine				47	47	Self-financing
Others	243	8	0.36	53	53	Self-financing
Total	260	15	-	-	-	-



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.13 Construction in progress (Continued)

#### 6.13.1 Construction in progress (Continued)

##### 6.13.1.3 Provision of Impairment

Items	31 December 2018	Increase in	Decrease in	30 June 2019
		Current Period Impairment Recognized	Current Period Reversal	
Chaoyang Iron and Steel Hot Rolling Pickling Board Production Line Project	6			6
<b>Total</b>	6			6

#### 6.13.2 Construction materials

Items	30 June 2019	31 December 2018
Special material Special equipment	42	11
<b>Total</b>	42	11



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.14 Intangible assets

Items	Land Use Right	Non- Patented Technology	Software	Trademark Right	Total
<b>Original Cost</b>					
1. 31 December 2018	8,319	42	74	5	8,440
2. Increase			16		16
① Purchase					
② Internal R&D			16		16
③ Enterprise merger					
④ Others					
3. Decrease:					
① Disposition					
② Enterprise merger					
4. 30 June 2019	8,319	42	90	5	8,456
<b>Accumulative amortization</b>					
1. 31 December 2018	2,021	42	57	5	2,125
2. Increase	84		5		89
① Counting and Drawing	84		5		89
② Enterprise merger					
3. Decrease					
① Disposition					
② Enterprise merger					
4. 30 June 2019	2,105	42	62	5	2,214
<b>Provision for impairment</b>					
1. 31 December 2018					
2. Increase:					
① Counting and Drawing					
3. Decrease					
① Disposition					
4. 30 June 2019					
<b>Book value</b>					
1. 30 June 2019	6,214		28		6,242
2. 31 December 2018	6,298		17		6,315



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.15 Deferred income tax assets and deferred income tax liabilities

#### 6.15.1 Recognized deferred income tax assets

Items	30 June 2019		31 December 2018	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	196	783	196	783
Deductible loss	72	288	172	692
Unrealized inter-group profit	52	210	25	100
Termination benefits	35	140	46	186
Accumulated depreciation of fixed assets	32	127	32	127
Salaries payable	31	122	31	122
Employee training expenses	10	40	10	40
Deferred income	123	494	123	494
Profit or loss arising from fair value changes of other investments in equity instruments	105	420	135	539
Changes for fair value of financial assets (liabilities) held for trade			1	3
Others	10	40	10	40
<b>Total</b>	<b>666</b>	<b>2,664</b>	<b>781</b>	<b>3,126</b>



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.15 Deferred income tax assets and deferred income tax liabilities (Continued)

#### 6.15.2 Recognized deferred income tax liabilities

Items	30 June 2019		31 December 2018	
	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference
Valuation of trading financial instruments and derivative financial instruments – conversion of equity	19	76	17	68
Capitalized borrowing costs	3	10	3	10
Profit or loss arising from fair value changes of other investments in equity instruments	58	234	54	220
Unrealized internal-group profit			3	12
<b>Total</b>	<b>80</b>	<b>320</b>	<b>77</b>	<b>310</b>

### 6.16 Other non-current assets

Items	30 June 2019	31 December 2018
Prepayment for Construction Projects	1,549	1,141
<b>Total</b>	<b>1,549</b>	<b>1,141</b>



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.17 Short-term loans

Items	30 June 2019	31 December 2018
Pledged loans		250
Guaranteed loans		1,000
Credit loans	14,795	11,930
Total	14,795	13,180

*Note:* The guaranteed loans of the short-term loans are mainly used to replenish liquid capital.

### 6.18 Financial liabilities at fair value through profit or loss

Items	30 June 2019	31 December 2018
Future contracts	30	3
Total	30	3

### 6.19 Notes payable

Items	30 June 2019	31 December 2018
Bank acceptance notes	1,942	1,400
Total	1,942	1,400

*Note:* There are no notes payable that have expired but have not been paid on 30 June 2019.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.20 Accounts payable

#### 6.20.1 Aging of accounts payable

Items	30 June 2019		31 December 2018	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	6,630	98.67	7,563	98.70
1 to 2 years	5	0.07	15	0.20
2 to 3 years	3	0.04	5	0.07
Over 3 years	82	1.22	80	1.03
<b>Total</b>	<b>6,720</b>	<b>100.00</b>	<b>7,663</b>	<b>100.00</b>

Note: the above aging analysis is based on the invoice date.

#### 6.20.2 Significant account payable aging over 1 year

Creditors	Balance owe	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	61	3 to 4 years, over 5 years
<b>Total</b>	<b>61</b>	



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.21 Contract liabilities

Items	<b>30 June 2019</b>	31 December 2018
Selling of products	<b>5,026</b>	4,781
Others	<b>15</b>	14
Total	<b>5,041</b>	4,795

### 6.22 Employee benefits payable

#### 6.22.1 Analysis of employee benefits payable

Items	31 December 2018	Increase	Decrease	<b>30 June 2019</b>
Short-term remuneration	91	1,807	1,707	<b>191</b>
After-service benefits defined contribution plans		337	337	
Termination benefits	92	88	134	<b>46</b>
Total	183	2,232	2,178	<b>237</b>



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.22 Employee benefits payable (Continued)

6.22.2 The situation about short-term remuneration

Items	31 December	Increase	Decrease	30 June
	2018			2019
1. Salaries, bonus and allowance	35	1,312	1,268	<b>79</b>
2. Staff welfare		176	121	<b>55</b>
3. Social insurance	2	127	127	<b>2</b>
Including: Medical insurance	2	100	100	<b>2</b>
Staff and workers' injury insurance		26	26	
Maternity insurance		1	1	
Others				
4. Housing fund		135	135	
5. Labor union fee and staff training fee	54	29	28	<b>55</b>
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		28	28	
<b>Total</b>	<b>91</b>	<b>1,807</b>	<b>1,707</b>	<b>191</b>

6.22.3 Defined Contribution Plans

Items	31 December	Increase	Decrease	30 June
	2018			2019
1. Basic pension insurance		248	248	
2. Unemployment insurance		6	6	
3. Occupational pension		83	83	
<b>Total</b>		<b>337</b>	<b>337</b>	



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.23 Taxes payable

Items	30 June 2019	31 December 2018
VAT	29	304
Environmental protection tax	23	20
Resource tax		1
Corporate income tax	(167)	176
City maintenance and construction tax	14	9
Property tax	13	13
Land use tax	37	37
Individual income tax	2	9
Educational surcharges	9	6
Others	6	14
Total	(34)	589

### 6.24 Other payables

Items	30 June 2019	31 December 2018
Interests payable	11	9
Dividends payable		
Other payables	2,387	2,277
Total	2,398	2,286



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.24 Other payables (Continued)

#### 6.24.1 Interests payable

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Staging interest maturity of long-term borrowings	<b>5</b>	7
Interest for corporate bonds	<b>6</b>	2
<b>Total</b>	<b>11</b>	9

#### 6.24.2 Other payables

##### 6.24.2.1 Classification of other payables by nature

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Construction payable	<b>913</b>	827
Quality assurance	<b>600</b>	556
Performance assurance	<b>217</b>	220
Deposit for steel shelves	<b>40</b>	22
Freight charges	<b>45</b>	23
The special funds paid by Anshan Iron and Steel Group Company	<b>337</b>	337
Borrowing		81
Others	<b>235</b>	211
<b>Total</b>	<b>2,387</b>	2,277



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.24 Other payables (Continued)

#### 6.24.2 Other payables (Continued)

##### 6.24.2.2 Significant balances of other payables aging over 1 year

Creditors	Balance	Reason	Whether paid after 30 June 2019
Angang Group Engineering Technology Co., LTD	36	Project quality assurance	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	35	Project quality assurance	No
Air liquide (Hangzhou) Co., Ltd.	16	Project quality assurance	No
MCC heavy industry equipment Co., Ltd.	14	Project quality assurance	No
Anshan Iron and Steel Group Automation Company	12	Project quality assurance	No
Angang Construction Group Co., Ltd.	11	Project quality assurance	No
Total	124		

### 6.25 Non-current liabilities due within 1 year

Items	30 June 2019	31 December 2018
Long-term loans due within 1 year (Note 6.27)	103	2,648
Total	103	2,648



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.26 Other current liabilities

Items	30 June 2019	31 December 2018
Notes receivable discounted but non-termination confirmed	634	
Total	634	

### 6.27 Long-term loans

#### 6.27.1 Classification of long-term loans

Items	30 June 2019	31 December 2018
Guaranteed loans	309	360
Credit loans	2,538	4,583
Subtotal	2,847	4,943
Less: long-term loans due within 1 year ( <i>Note</i> <i>6(25)</i> )	103	2,648
Total	2,744	2,295

*Note:* Guarantee loans of long-term loans, guaranteed by Japan Kobe Steel Company, were mainly used to replenish working capital and for project construction. The interest rate of Long-term loan range of 4.2892%–4.75%.



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.27 Long-term loans (Continued)

6.27.2 Classification of long-term loans by the maturity date

Items	30 June 2019	31 December 2018
Within 1 year	103	2,648
1 year to 2 year (include 2 year)	1,803	1,003
2 year to 3 year (include 3 year)	903	1,203
3 year to 5 year (include 5 year)	38	89
Total	2,847	4,943

### 6.28 Bonds payable

6.28.1 Bonds payable

Items	30 June 2019	31 December 2018
Medium-term note	150	149
Convertible bond	1,458	1,425
Total	1,608	1,574



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.28 Bonds payable (Continued)

#### 6.28.2 Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2018
16MTN002	2,000	3 August 2016	5 years	2,000	100
16MTN003	1,000	31 August 2016	5 years	1,000	49
Convertible bond in 2018 (note 1)	1,512	25 May 2018	5 years	1,299	1,425
<b>Total</b>	<b>4,512</b>	<b>-</b>	<b>-</b>	<b>4,299</b>	<b>1,574</b>

Type of bonds	Current issue	Accrued interest at face value	Amortization with the Premium or Discount of Bond (the negative refer to increase, the positive refer to decrease)	Exchange conversion (the negative refer to increase, the positive refer to decrease)	Repayment this period	30 June 2019
16MTN002		3				100
16MTN003		1	(1)			50
Convertible bond in 2018 (note 1)			(27)	(6)		1,458
<b>Total</b>		<b>4</b>	<b>(28)</b>	<b>(6)</b>		<b>1,608</b>



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.28 Bonds payable (Continued)

#### 6.28.2 Increase or decrease in bonds payable (Continued)

*Note 1:* The company issued a five-year zero-rate convertible bond on May 25, 2018 with a total principal amount of HK\$1.85 billion. The bond conversion period is from July 5, 2018 to May 15, 2023. The price of the H Shares to be issued will be initially at HK\$9.54 per share (H Share). The shareholders of the company have approved the cash dividend and the capital reserve to increase the share capital in the 2018 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HK\$6.76 per share since June 7, 2019. On the issue date, the convertible bonds embedded in the derivative financial instruments are initially recognized at fair value, and the portion of the issue price that exceeds the initial recognition as a derivative financial instrument is recognized as a debt instrument.

*Note 2:* The maturity dates of the above-mentioned bonds payable are between two and five years.

### 6.29 Long-term employee benefits payable

Items	30 June 2019	31 December 2018
Termination benefits	95	97
Total	95	97



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.30 Deferred income

Items	31 December 2018	Increase	Decrease	30 June 2019	Cause of formation
Government grants	630	8	37	601	
Total	630	8	37	601	

Among them, the projects involved the government grants are as follows:

Items	31 December 2018	New grants	Belong to Non- business income	Belong to Other income	Other decrease	30 June 2019	Associated with the asset/ income
The government grants related to environmental protection	178			20		158	Asset
The government grant related to scientific research	298	6		11		293	Assets/ Income related
Others	154	2	1	5		150	Assets/Income related
Total	630	8	1	36		601	



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.31 Other non-current liabilities

Items	30 June 2019	31 December 2018
Embedded derivative financial instruments	92	139
Total	92	139

### 6.32 Share capital

Items	31 December 2018		Increase/Decrease				30 June 2019		
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	Proportion (%)
Shares unrestricted on sale									
1. Ordinary A shares	6,149	85			1,845		1,845	7,994	85
2. Foreign shares listed overseas	1,086	15			325		325	1,411	15
Total	7,235	100			2,170		2,170	9,405	100

*Note:* According to the resolution of the 2018 Annual General Meeting of Shareholders held on May 28, 2019, the capital reserve will be transferred to share capital for all shareholders in the current period, and the share capital will be increased by 3 shares for every 10 shares.

# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.33 Capital reserve

Items	31 December 2018	Increase	Decrease	30 June 2019
Share premium	35,280		2,170	<b>33,110</b>
Other capital reserve	375			<b>375</b>
<b>Total</b>	<b>35,655</b>		<b>2,170</b>	<b>33,485</b>

*Note:* The reason for the decrease in capital reserve for the current period is as follows Note 6.32.

### 6.34 Other comprehensive income

Items	31 December 2018	The amount of this period				30 June 2019
		Amount for the period before tax	Minus: transform into profit or loss from other comprehensive income	Minus: income tax expenses	The After- tax amount attributed to the parent company	
<b>1. Other comprehensive income will not reclassified into the gains and losses</b>	(240)	(49)	(185)	34	102	<b>(138)</b>
Profit or loss arising from fair value changes of other investments in equity instruments	(240)	(49)	(185)	34	102	<b>(138)</b>
<b>2. Other comprehensive income will reclassified into the gains and losses</b>	(1)					<b>(1)</b>
The share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method	(1)					<b>(1)</b>
<b>Total</b>	<b>(241)</b>	<b>(49)</b>	<b>(185)</b>	<b>34</b>	<b>102</b>	<b>(139)</b>



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.35 Special reserve

Items	31 December 2018	Increase of the period	Decease of the period	30 June 2019
Safety production expenses	49	61	14	96
Total	49	61	14	96

### 6.36 Surplus reserve

Items	31 December 2018	Increase of the period	Decease of the period	30 June 2019
Statutory surplus reserve	3,628			3,628
Total	3,628			3,628



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.37 Undistributed profit

Items	This period
31 December 2018	5,636
Changes in accounting policies	
1 January 2019	5,636
Increase of the period	1,425
Including: Net profit transferred this period	1,425
Other adjustment factors	
Decrease of the period	1,777
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions in this period	
Distribution of cash dividend this period (note 1)	1,592
Conversed capital	
Other decreases (Note 2)	185
30 June 2019	5,284

*Note 1:* According to the resolution of the 2018 Annual General Meeting of Shareholders held on May 28, 2019, the Company distributed cash dividends to all shareholders at RMB0.22 per share. According to the issued shares of 7,234,807,847 shares, it's totaling RMB1,592 million. All of them have been released as of 30 June 2019.

*Note 2:* Other decrease RMB185 million of undistributed profit for the period was the Company's write-off of other investments in equity instrument of Tianjin Tiantie. Changes in fair value that have been included in other comprehensive income in previous years are transferred to undistributed profits for the period at the time of write-off.



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.38 Operating income and operating costs

#### 6.38.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	50,808	45,725	50,758	41,948
Other operating	266	237	104	85
<b>Total</b>	<b>51,074</b>	<b>45,962</b>	50,862	42,033

*Note:* The Group is classified into an operating segment based on the type of business: production and sale of steel products.

#### 6.38.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	47,325	47,909
Foreign exchange income from outside borders	3,749	2,953
<b>Total</b>	<b>51,074</b>	50,862

#### 6.38.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirm at a certain point	51,074	50,862
<b>Total</b>	<b>51,074</b>	50,862



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.39 Tax and surcharges

Items	This period	Last period
City maintenance and construction tax	53	146
Educational surcharge and local educational surcharge	38	105
Land use tax	215	206
Property tax	76	75
Stamp tax	45	40
Resources tax	1	1
Environmental protection tax	44	52
Total	472	625

Note: Please refer to Note 5. Tax for details of various taxes and additional payment standards.

#### 6.40 Marketing expenses

Items	This period	Last period
Delivery expense	1,236	1,263
Packing expense	31	37
Sales and service expense	57	41
Employee benefits	88	91
Warehouse storage expense	28	22
Agency fee for commissioned sales	18	12
Insurance expense	5	5
Others	76	78
Total	1,539	1,549



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.41 Administrative expenses

Items	This period	Last period
Employee benefits	<b>390</b>	323
Amortization of intangible asset	<b>88</b>	85
Depreciation	<b>21</b>	25
Computer maintenance expense	<b>17</b>	5
Repair and maintenance	<b>6</b>	15
Afforestation fees	<b>7</b>	2
Agency fees	<b>10</b>	11
Others	<b>76</b>	58
Total	<b>615</b>	524

### 6.42 Research and development expenses

Items	This period	Last period
Raw material consumption fee	<b>75</b>	42
Labor cost	<b>77</b>	59
Depreciation	<b>28</b>	22
Subcontracting expenses	<b>24</b>	12
Travel expenses	<b>3</b>	2
Others	<b>7</b>	8
Total	<b>214</b>	145



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.43 Financial expenses

Items	This period	Last period
Interest expense	<b>646</b>	708
Including: interests expense from the long-term loans and long-term bonds	<b>122</b>	159
Interests expense from the long-term loans and letters of credit	<b>340</b>	387
Other interest expenditures	<b>184</b>	162
Less: Interest income	<b>22</b>	11
Less: capitalized interest expense	<b>15</b>	3
Exchange gain or loss Less: capitalized exchange gain or loss	<b>6</b>	(9)
Others	<b>6</b>	11
<b>Total</b>	<b>621</b>	696

### 6.44 Other income

Items	This period	Last period	Recorded into extraordinary gains and losses
The government grants related to environment protection	<b>21</b>	18	21
The government grants related to scientific research	<b>10</b>		10
Others	<b>5</b>	5	5
<b>Total</b>	<b>36</b>	23	36



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.45 Investment income

Items	This period	Last period
Long-term equity income under the equity method	<b>70</b>	155
Investment income of other investments in equity instruments invested in the holding period	<b>9</b>	9
Others	<b>(4)</b>	19
Total	<b>75</b>	183

### 6.46 Gains/losses from fair value variation

Sources	This period	Last period
Changes in fair value of derivative financial assets	<b>3</b>	
Changes in fair value of other non-current financial assets	<b>10</b>	(9)
Changes in fair value of derivative financial liabilities	<b>(31)</b>	
Changes in fair value of embedded derivative financial instruments	<b>47</b>	
Total	<b>29</b>	(9)



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.47 Impairment losses on assets

<b>Items</b>	<b>This period</b>	Last period
Provision for written-down of inventories	<b>97</b>	(25)
Impairment Provision for construction in progress		(1)
<b>Total</b>	<b>97</b>	(26)

*Note:* The positive numbers refer to gains and negative numbers refer to losses.

#### 6.48 Credit impairment loss

<b>Items</b>	<b>This period</b>	Last period
Notes receivable	<b>(27)</b>	
Accounts receivable		(5)
Other accounts receivable		(1)
<b>Total</b>	<b>(27)</b>	(6)

*Note:* The positive numbers refer to gains and negative numbers refer to losses.

#### 6.49 Asset disposal income

<b>Items</b>	<b>This period</b>	Last period
Fixed asset disposal income	<b>1</b>	8
<b>Total</b>	<b>1</b>	8



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.50 Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Gains from destroy or scrap of non-current assets	5	4	5
Government grant	1	3	1
Liquidated damages	2	1	2
Others	4	2	4
<b>Total</b>	<b>12</b>	10	12

Government grant recorded into profit/loss for current period:

Items	This period	Last period	Assets/Income related	Whether subsidies affect the profit and loss of the period
Shanghai Baoshan District Enterprise Support Fund	1	1	Income related	No
Shanghai Enterprise Development Support Fund		2	Income related	No
<b>Total</b>	<b>1</b>	3	-	-



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6.51 Non-operating expenses

<b>Items</b>	<b>This period</b>	<b>Last period</b>	<b>Recorded into extraordinary gains and losses</b>
The loss on destroy or scrap of non-current assets	<b>25</b>	46	25
External donation	<b>1</b>	1	1
Others	<b>2</b>	2	2
<b>Total</b>	<b>28</b>	49	28

#### 6.52 Income tax expenses

##### 6.52.1 Income tax expenses

<b>Items</b>	<b>This period</b>	<b>Last period</b>
Income tax during this period	<b>338</b>	292
Changes on deferred income tax expenses	<b>84</b>	697
Others		
<b>Total</b>	<b>422</b>	989



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.52 Income tax expenses (Continued)

6.52.2 The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	1,846
Income tax expenses calculated at statutory/applicable tax rates	462
Effect of different tax rates applied by subsidiary companies	
Effect of adjustments for income tax for prior period	(12)
Effect of income not subject to tax	(48)
Effect of costs, expenses and loss not deductible for tax purpose	
Effect of deductible loss of deferred income tax assets not recognized in prior periods	
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	25
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	
Others	(5)
Income tax expenses	422



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.53 The other comprehensive income

Please refer to Note 6.34.

### 6.54 Items on statements of cash flow

6.54.1 Cash received from operating activities

<b>Items</b>	<b>This period</b>	Last period
Government grants	<b>8</b>	7
Rental income		1
Deposit income	<b>2</b>	14
Others	<b>11</b>	8
Total	<b>21</b>	30



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.54 Items on statements of cash flow (Continued)

#### 6.54.2 Cash paid for operating activities

Items	This period	Last period
Freight fee	<b>696</b>	908
Salary for retired employees	<b>64</b>	67
Purchases and sales business fee	<b>92</b>	91
Testing fee for energy saving	<b>136</b>	113
Pipeline transportation fee	<b>31</b>	33
Sewage fee		18
Insurance fee	<b>18</b>	28
Storage expenses	<b>27</b>	23
Commission for processing products	<b>310</b>	298
Computer maintenance fee	<b>22</b>	51
Security and firefighting expense	<b>55</b>	9
Afforestation fee	<b>12</b>	9
Lease expenses	<b>50</b>	39
Research and development expense	<b>20</b>	16
Travel and lodge expenses	<b>21</b>	19
Inspections fee	<b>5</b>	12
Environment inspection fee	<b>10</b>	11
Agency fee	<b>11</b>	9
Allowance for retired employees who have difficulties	<b>6</b>	6
Other operating expenses	<b>72</b>	107
Total	<b>1,658</b>	1,867



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.54 Items on statements of cash flow (Continued)

#### 6.54.3 Cash received from investment activities

<b>Items</b>	<b>This period</b>	Last period
Income from test run		1
Interests revenue	<b>23</b>	14
Future contract income	<b>14</b>	44
<b>Total</b>	<b>37</b>	59

#### 6.54.4 Cash paid for investment activities

<b>Items</b>	<b>This period</b>	Last period
Future contract loss	<b>19</b>	31
<b>Total</b>	<b>19</b>	31



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.54 Items on statements of cash flow (Continued)

#### 6.54.5 Cash received from financing activities

Items	This period	Last period
Received "Guangzhou Auto Steel" Repayment	<b>33</b>	180
<b>Total</b>	<b>33</b>	180

#### 6.54.6 Cash paid for financing activities

Items	This period	Last period
Agency fees for loans	<b>3</b>	1
Repay the loan from Ansteel Group ( <i>Note</i> )	<b>81</b>	
<b>Total</b>	<b>84</b>	1

*Note:* It occurred before the merger date of the subsidiary-Chaoyang Iron and Steel.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.55 Supplement of cash flow statement

#### 6.55.1 Reconciliation of net profit to cash flows from operating activities

Items	This period	Last period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	1,424	4,435
Add: provision for impairment on asset	(97)	26
Provision for impairment on credit	27	6
Depreciation of fixed assets	1,749	1,711
Amortization of intangible assets	89	86
Amortization of long-term deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)	(1)	(8)
Loss on scrap of fixed assets ("-" for gains)	20	42
Loss on the change of fair value ("-" for gains)	(29)	9
Financial expenses ("-" for gains)	615	685
Investment loss ("-" for gains)	(75)	(183)
Decrease in deferred tax assets ("-" for increase)	85	696
Increase in deferred tax liabilities ("-" for decrease)	(1)	
Decrease in inventories ("-" for increase)	(873)	(981)
Decrease in operating receivables ("-" for increase)	1,174	(1,888)
Increase in operating payable("-" for decrease)	(389)	(2,268)
Others	47	43
Net cash flow from operating activities	3,765	2,411
<b>2. Change in cash and cash equivalent</b>		
Cash at the end of the period	1,781	4,652
Less: cash at the beginning of the period	2,154	2,670
Add: cash equivalent at the end of the period		
Less: cash equivalent at the beginning of the period		
Net increase in cash and cash equivalents	(373)	1,982



## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.55 Supplement of cash flow statement (Continued)

#### 6.55.2 Composition of cash and cash equivalents

Items	30 June 2019	31 December 2018
<b>1. Cash at bank and on hands</b>	<b>1,781</b>	2,154
Of which: Cash		
Bank deposits available	<b>1,590</b>	2,015
Other deposits available	<b>191</b>	139
<b>2. Cash equivalents</b>		
Of which: Bonds due within 3 months		
<b>3. Closing balance of cash and cash equivalents</b>	<b>1,781</b>	2,154

### 6.56 Restricted assets of ownership or use rights

Items	30 June 2019	Notes receivable
Notes receivable	<b>287</b>	Pledge
Total	<b>287</b>	



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.57 Foreign currency monetary

Items	Foreign currency closing balance	Conversion calculation	Closing balance in CNY
Notes payable	1,657	0.8797	1,458
Other non-current liabilities (2018 convertible bonds – embedded derivative financial instruments)	105	0.8797	92
<b>Total</b>	<b>1,762</b>		<b>1,550</b>

### 6.58 Government grants

6.58.1 The basic situation of government grants

Items	The basic situation of government grants identified at the beginning of the period		Government grants included in the profit or loss
	Amounts	Items	
The government grants related to environmental protection		Deferred income	20
The government grants related to environmental protection	6	Deferred income	11
Others	1	Deferred income	5
Others	1	Non-operating income	1
<b>Total</b>	<b>8</b>		<b>37</b>

6.58.2 Return of government grants

The Group has not received any government grants refund this period.



## 7. CHANGES IN CONSOLIDATION SCOPE

There is no change in the scope of consolidation in the current period.

## 8. INTERESTS IN OTHER ENTITIES

### 8.1 Interest in the subsidiary

The constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registration place	Nature of the business	Direct stake (%)	Acquisition
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	Steel Processing and Distribution	100	Establish
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	Steel Processing and Distribution	100	Establish
Shenyang Anshan Iron and Steel International Trade Co., Ltd. ("Shenyang Trade")	Shenyang	Shenyang	Sales of metal materials and products, building materials, etc.	100	Combination under common control
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	Wholesale and retail purchasing services	100	Combination under common control
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	Purchase and sale of metal and other materials	100	Combination under common control
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	Technology import and export of goods, Wholesale and retail trade	100	Combination under common control
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd. ("Shenyang Steel")	Shenyang	Shenyang	Steel Processing and Distribution	100	Combination under common control



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 8.1 Interest in the subsidiary (Continued)

The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Nature of the business	Direct stake (%)	Acquisition
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	Steel Processing and Distribution	100	Established
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	Steel trade	100	Established
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("Yantai Trade")	Yantai	Yantai	Steel trade	100	Established
Angang Steel Distribution (Zhengzhou) Co., Ltd. ("Angang Zhengzhou")	Zhengzhou	Zhengzhou	Steel Processing and Distribution	100	Established
Anshan Iron and Steel Processing and Distribution Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	Steel Processing and Distribution	75	Established
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	Weifang	Weifang	Steel Processing and Distribution	51	Combination under common control
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin")	Tianjin	Tianjin	Steel Processing and Distribution	51	Combination under common control
Kobelco Angang Auto Steel Co Ltd ("Angang Kobelco")	Anshan	Anshan	Processing and sale of steel rolling	51	Established



## 8. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 8.1 Interest in the subsidiary (Continued)

The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Nature of the business	Direct stake (%)	Acquisition
ASPD - CC	Changchun	Changchun	Production, processing and steel products Sell products sales and distribution Technology research and development	100	Combination not under common control
Angang Steel Technology and Development Co., Ltd. ("Technology and Development")	Anshan	Anshan	Metallurgy and related materials, equipment Development and development	100	Established
Angang Chemical Technology Co., Ltd	Anshan	Anshan	Coking gas purification and production of coal products	100	Established
Energy and Technology	Anshan	Anshan	Production of dissolved acetylene; Sales of compressed gases. and liquefied gas	60	Combination under common control
FAW Angang	Changchun	Changchun	Steel Processing and Distribution	60	Combination not under common control
Angang Chaoyang	Chaoyang	Chaoyang	Steel rolling processing and sales	100	Combination under common control

*Note:* Angang Weifang has entered the bankruptcy liquidation procedure. The liquidation affairs were transferred to bankruptcy administrator appointed by the people's court in December 2018. It wasn't included in the scope of consolidation.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 8.2 Interests in joint ventures or associates

#### 8.2.1 The joint ventures or associates

Name	Principal place of business	Registration place	Nature of the business	Direct stake (%)	Accounting Treatment
ANSC – TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC – Dachuan	Dalian	Dalian	Steel processing and sales	50	Equity method
Guangzhou Automobile Steel	Guangzhou	Guangzhou	Manufacturing Steel products	50	Equity method
Angang Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder	Anshan	Anshan	Iron powder processing	30	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging	49.8	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
Guang Qi Bao Shang	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method
Meizhou Automobile	Meizhou	Meizhou	Automobile parts	25	Equity method
Chaoyang Zhongan Water Co., Ltd	Chaoyang	Chaoyang	Water production and supply	45	Equity method



## 8. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 8.2 Interests in joint ventures or associates (Continued)

8.2.2 The accounting information of the important joint ventures

Items	ANSC – TKS	
	30 June 2019/ the Date Occurred in This Period	31 December 2018/ the Date Occurred in Last Period
Current assets	1,414	1,688
Including: Cash and cash equivalents	224	327
Non-Current assets	615	577
Total Assets	2,029	2,265
Current liabilities	871	942
Non-Current liabilities	3	3
Total Liabilities	874	945
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	1,155	1,320
The net assets calculated by the share percentage held	578	660
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade	(27)	(60)
– others		
The book value of equity investments in joint ventures	551	600
The fair value of the equity investments in joint ventures which exist the public offer		
Operating revenue	2,201	2,735
Finance costs	8	5
Income tax expenses	16	26
Net profit	63	158
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	63	158
Dividends received from joint ventures this year	114	240



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 8.2 Interests in joint ventures or associates (Continued)

8.2.3 The accounting information of the important association

Items	Angang Finance	
	30 June 2019/ the Date Occurred in This Period	31 December 2018/ the Date Occurred in Last Period
Current assets	4,313	5,938
Including: Cash and cash equivalents	4,066	5,598
Non-Current assets	16,252	19,827
Total Assets	20,565	25,765
Current liabilities	13,806	18,858
Non-Current liabilities	5	9
Total Liabilities	13,811	18,867
Minority interests	24	19
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	6,730	6,879
The net assets calculated by the share percentage held	1,346	1,376
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade		
– others		
The book value of equity investments in associations	1,346	1,376
The fair value of the equity investments in associations which exist the public offer		
Operating revenue	461	522
Finance costs		
Income tax expenses	37	129
Net profit	190	383
Net profit from discontinued operations		
Other comprehensive income	(2)	3
The total of comprehensive income	188	386
Dividends received from associations this year	67	



## 8. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 8.2 Interests in joint ventures or associates (Continued)

8.2.4 The accounting information of the unimportant joint ventures and associations

Items	30 June 2019/ the Date Occurred in This Period	31 December 2018/ the Date Occurred in Last Period
<b>Associations:</b>		
The book value of equity investments	543	539
The followings are calculated by shares		
– Net profit	2	-16
– Other comprehensive income		
– The total of comprehensive income	2	-16
<b>Joint ventures:</b>		
The book value of equity investments	358	288
The followings are calculated by shares		
– Net profit	0	17
– Other comprehensive income		
– The total of comprehensive income	0	17



### 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise equity investment, debt investments, loans, accounts receivable, accounts payable, bonds payable and cash and cash equivalents and etc. the details of the financial instruments described in Note 6. Risks associated with these financial instruments, as well as the Group's risk management policies to mitigate these risks are described as below. The group's management controlled these exposures within certain limits by management and monitoring.

Sensitivity analysis techniques are adopted by the Group to analyze the rationality of risk variables, and the effects of the changes on profit or loss or shareholders' equity. The risk variables seldom changes individually, and the changes of one risk variables may have a significant effect on the amount of the other with a correlation, therefore, the following content is based on the assumption that changes of each variable are independent.

#### **The objectives and policies of risk management**

The Group's objective in risk management is to achieve balance between the risks and benefits, to reduce the risk's negative impact to the lowest level and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to identify and analyze the risks faced by the Group, to establish an appropriate baseline for risk tolerance and risk management, to monitor a variety of risk timely and reliably, and to control the risk within a limited range.



## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### The objectives and policies of risk management (Continued)

#### 9.1 Market risk

##### 9.1.1 Exchange risk

Foreign currency risk refers to the risk of loss due to the fluctuation of exchange rate. The foreign currency risk of the Group exposed is mainly related to the U.S. dollar and the H.K. dollar. Besides the following assets or liabilities in U.S. dollar and the H.K. dollar by end of 30 June 2019, other assets and liabilities of the Group are denominated in RMB balances.

*Unit: Yuan*

Items	30 June 2019	31 December 2018
Bank deposits ( <i>USD</i> )	<b>100,668.72</b>	100,668.70
Bank deposits ( <i>HKD</i> )	<b>170.28</b>	170.28
Bond Payable ( <i>HKD</i> )	<b>1,657,286,322.86</b>	1,625,867,493.32
Other non-current liabilities ( <i>HKD</i> )	<b>105,057,027.41</b>	158,667,974.88

In terms of the major foreign currency transactions such as exporting sales of products, importing and procurement of raw materials for production and engineering equipment, the Group conducts imports and exports agency transactions through trading with Angang Trade. The foreign exchange risk is mainly reflected in the impact of exchange rate changes on sales and purchase costs during agency settlement.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### The objectives and policies of risk management (Continued)

#### 9.1 Market risk (Continued)

##### 9.1.1 Exchange risk (Continued)

- A. On 30 June 2019, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6.1, 27 and 31.
- B. the Group's main foreign exchange rates apply as follows:

Items	Average Exchange Rate		Middle Exchange Rate on the Reporting Date	
	This Period	Last Period	This Period	Last Period
U.S. dollar	<b>6.7810</b>	6.5754	<b>6.8747</b>	6.8632
H.K. dollar	<b>0.8646</b>	0.8395	<b>0.8797</b>	0.8762



## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### The objectives and policies of risk management (Continued)

#### 9.1 Market risk (Continued)

##### 9.1.1 Exchange risk (Continued)

##### C. Sensitivity analysis

On 30 June 2019, 1% increase in the foreign exchange rate would result in an increase (decrease) of RMB in shareholders' equity and net profit as follows:

*Unit: Million*

<b>Date</b>	<b>Item</b>	<b>The impact on net profit</b>	<b>The impact on shareholders' equity</b>
30 June 2019	USD		
	HKD	(11)	(11)
31 December 2018	USD		
	HKD	(13)	(13)

By end of 30 June 2019, under the assumption that all other variables remain the same premise, if the RMB against the USD and HKD exchange rate reduced by 1% would result in the same amount of change in shareholders' equity and net profit on the table above, whereas in the opposite direction.

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to the Group's entire derivative and non-derivative financial instruments. 1% change is based on the reasonable projection for exchange rate from the Group's balance sheet date to the next balance sheet date. Last period analysis based on the same assumptions.



## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### The objectives and policies of risk management (Continued)

#### 9.1 Market risk (Continued)

##### 9.1.2 Interest rate risk

The Group's interest-bearing financial instruments on 30 June 2019 please refer to notes 6. 1, 17, 25, 27 and 28.

Sensitivity analysis :

The principles of the Group's interest rate risk management aim to reduce the impact of short-term fluctuations on the Group's profits. However, in the long term, permanent changes in interest rates will affect profits.

As of 30 June 2019, with all other variables held constant, assuming that the interest rate of bank deposits, available for sale financial assets, short-term borrowings, non-current liabilities due within one year, short-term bonds, long-term loans and bonds payable increase 1 percentage point, would result in RMB132 million decrease (last period: RMB133 million) of the Group's net income and shareholders' equity.

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to all of the Group's derivative and non-derivative financial instruments. 1 percentage point change is based on the reasonable expectations for the exchange rate among the Group's balance sheet date to the next balance sheet date. The analysis of last period is based on the same assumptions.



## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### The objectives and policies of risk management (Continued)

#### 9.2 Credit risk

Credit risk refers to the risk that counter party will default on its contractual obligation resulting in financial loss to the other party. The Group's credit risk is primarily attributable to receivables. Management will continue to review the credit risk exposure.

For receivables, the Group has established a credit policy under the actual situation, the amount of credit is determined by the customer's credit assessments. The Group requires most customers to pay the full amount in cash or notes of the products before delivery. The accounts receivable associated with the clients is mature within 1–4 months since the bills issued. The debtor overdue more than one month will be required to settle all the outstanding balances before any further credit. Under normal circumstances, the Group does not prescribe collateral from customers.

The majority of the Group's customers have business tractions with the Group for many years; therefore, losses are infrequently occurred. The Group analyzed the aging, maturity and other customer information in order to monitor the Group's credit risk.

There is no significant impairment and overdue receivables as of 30 June 2019.

Due to the accounts receivables of the top five customers, which are accounted for 48% of the receivables and other receivables on the balance sheet date (at the beginning of this period: 45%), the Group may face a certain degree of credit risk concentration.

The maximum credit risk exposure faced by the Group, which is not guaranteed, is the book value of the financial assets in the balance sheet.



## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### The objectives and policies of risk management (Continued)

#### 9.3 Liquidity risk

The Group is responsible for its own cash management to cover projected cash arrangements including the short-term investments by using the cash surpluses and loans. The Group monitor short-term and long-term liquidity requirements regularly aimed to find out whether is in compliance with the loan agreements, to ensure that the group maintains sufficient cash reserves and readily realizable securities, and to maintain sufficient funds of major committed financial institutions to meet short-term and longer-term liquidity needs.

The repayment date of the Group's long-term debts, please refer to Note 6.27.

#### 9.4 Transfer of financial assets

On June 30, 2019, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB18,625 million, and the amount of commercial acceptance notes was RMB21 million; The amount of bank acceptance notes discounted to financial institutions is RMB9,751 million, and the amount of commercial acceptance notes is RMB0 million. On June 30, 2019, the maturity date is 1 to 12 months. According to the relevant provisions of the Bills Law, if the drawer refuses to pay, the holder has the right to pursue the group. The Group believes that the Group has transferred almost all of its risks and rewards. Therefore, the Group derecognised the book value of its settled accounts payable and related.



## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

### The objectives and policies of risk management (Continued)

#### 9.4 Transfer of financial assets (Continued)

On June 30, 2019, the Group discounted notes receivable of 634 million (which had expired 557 million yuan) to financial institutions in exchange for monetary funds. The Group believes that almost all of the risks and rewards of ownership of these discounted bills are retained, including the related default risk. Therefore, the Group continues to recognize the discounted notes and related liabilities. After the discount of notes receivable, the Group does not retain any right to use the discounted notes, including the sale, transfer or mortgage of such discounted notes to any third party.

## 10. DISCLOSURE OF THE FAIR VALUE

### 10.1 The amount of asset and liability measured at fair value and the measurement hierarchies

The fair value measurement is classified into three hierarchies, listed as follows:

- Level 1: The quoted price (unadjusted) in dynamic market for identical asset or liability.
- Level 2: Inputs other than quoted price included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: The unobservable inputs for asset or liability (unobservable inputs).



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 10. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

#### 10.1 The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 30 June 2019			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
<b>Continues fair value measurement:</b>				
Derivative financial assets				
Other investments in equity instruments			470	470
Other non-current financial assets	45			45
Derivative financial liabilities	30			30
Other non-current liabilities ( <i>note</i> )			92	92



## 10. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

### 10.1 The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 31 December 2018			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets	1			1
Other investments in equity instruments			519	519
Other non-current financial assets	35			35
Derivative financial liabilities	3			3
Other non-current liabilities ( <i>note</i> )			139	139

*Note:* The other non-current liabilities refer to the portion of the 2018 convertible bond embedded in derivative instrument, which is measured by binomial options pricing model. The Group conducted a sensitivity analysis on stock price volatility and risk-free interest rate. On June 30, 2019, if the volatility of share price increased or decreased by 1% when the other parameters were unchanged, The value of the convertible bond embedded derivative component increased by RMB0.79 million or decrease by RMB0.87 million. If the risk-free rate rises or falls by 1%, the value of the convertible bond embedded derivative component increases by RMB0.41 million or by RMB0.41 million.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 10. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

### 10.2 Adjustment information between the book value of the continuous third-level fair value measurement project

Items	Other investments in equity instruments	Other non-current liability
Balance at 1 January 2019	519	139
Changes in fair value (included in other comprehensive income)	(49)	
Changes in fair value (included in current profit and loss)		47
Balance at 30 June 2019	470	92

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 11.1 Information on the parent of the company

Group Name	Registration Place	The Nature of Business	Registered Capital	The Group's Shareholding	Proportion of Voting-Right
Ansteel Group	Tie Xi District Anshan Liaoning Province	Production and sale of steel and metal products, steel filament Tubes, and metal structures	26,000	53.33	53.33

Note: Angang Group Corporation is the ultimate controlling party.



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.2 Information on the subsidiaries of the Parent Company

Disclosed in Note 8.1 Subsidiaries.

### 11.3 Information on the joint ventures and associates of the group

Disclosed in Note 8.2 Investment in joint ventures and associates.

### 11.4 Related parties without control relationship

Name of Enterprise	Relation with the Parent Company
Guangzhou Automotive Steel	Joint venture
ANSC – TKS	Joint venture
ANSC – Dachuan	Joint venture
Anshan Jingu	Associate
Angang Finance	Associate
Falan Packing	Fellow subsidiary
Angang Cast Steel Co., Ltd	Fellow subsidiary
Angang Mining	Fellow subsidiary
Angang Steel Rope Co., LTD	Fellow subsidiary
Anshan Yingkou Harbor co., LTD	Fellow subsidiary
Angang Refractory Co., Ltd	Fellow subsidiary
Angang Auto Transport Co., Ltd	Fellow subsidiary
Angang Cold Rolled Steel Plate Co., Ltd. Putian	Fellow subsidiary
Angang House Property Construction	Fellow subsidiary
Angang MingAuto Transport Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Group Construction Supervision Co., Ltd.	Fellow subsidiary
Germany's Neighboring Lugang (Anshan) Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd.	Fellow subsidiary



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.4 Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Anshan Jidong Cement Co., Ltd	Joint venture of Angang Group
Angang Beckerini Water Treatment Co., Ltd.	Joint venture of Angang Group
Angang Group International Economic and Trade Co., Ltd. ("Angang Trade")	Fellow subsidiary
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	Fellow subsidiary
Angang Engineering Technology Co., Ltd	Fellow subsidiary
Pangang Group Xichang Steel and Vanadium Co., Ltd.	Fellow subsidiary
Angang Group Information Industry Co., Ltd	Fellow subsidiary
Angang Mining Construction Co., Ltd	Fellow subsidiary
Pangang Trade	Fellow subsidiary
Pangang Group Iron and Vanadium Titanium Resources Co. Ltd	Fellow subsidiary
Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	Fellow subsidiary
Chengdu western material federation Co., Ltd	Fellow subsidiary
Pangang Group Panzhihua Steel Vanadium Co., LTD	Fellow subsidiary
Angang Engineering Technology Development Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Group Corporation Labor Health Research Institute	Fellow subsidiary
Angang Group Zhongyuan Industry Development Co., Ltd.	Fellow subsidiary
Angang Yongan Commodity Trading Co., Ltd.	Fellow subsidiary
Angang Roller Co., Ltd.	Fellow subsidiary
Future Iron and Steel Research Institute Co., Ltd.	Fellow subsidiary
Pangang Group Chengdu Steel and Vanadium Co., Ltd.	Fellow subsidiary
Panzhong Yihong Metal Products (Chongqing) Co., Ltd.	Fellow subsidiary



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions

11.5.1 Related-party transactions within Ansteel Group Corporation Limited

11.5.1.1 Related-party transactions on Procurement of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This Period</b>	Last Period
Raw materials	Note 1	<b>9,276</b>	7,804
Supplementary materials	Note 2	<b>1,342</b>	1,235
Energy and power supplies	Note 3	<b>729</b>	864
Support service	Note 4	<b>3,129</b>	1,872
<b>Total</b>	<b>–</b>	<b>14,476</b>	11,775

11.5.1.2 Related-party transactions on Sales of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This Period</b>	Last Period
Product	Note 5	<b>1,273</b>	1,342
Scrap steel and material	Note 5	<b>212</b>	181
General services	Note 6	<b>482</b>	512
<b>Total</b>	<b>–</b>	<b>1,967</b>	2,035



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

#### 11.5.1 Related-party transactions within Ansteel Group Corporation Limited (Continued)

#### 11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

*Notes:* 1. The iron ore concentrate purchase price is not higher than Not higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the preceding month (T-1) plus the freight cost from Bayuquan port to the Company. Price adjustments for mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 65% index for the preceding month (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1) shall be applied. The pellets ore is measured at market price. The price of iron concentrate plus the processing costs for the preceding month (T-1) (in particular such processing costs shall not be higher than the processing costs of the products of the same category produced by the Company). The price of Premium products of Mineral ore from Karara Mining Limited (iron grade $\geq$  67.2%) is not higher than the market price. The sales volume of premium products of Mineral ore made by Karara Mining Limited to independent third parties in Mainland China shall not be less than 30% of the total sales volume of premium products of Karara Mining Limited for a given period. The price of Standard grade products of (67.2%>iron grade $\geq$ 65%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

#### 11.5.1 Related-party transactions within Ansteel Group Corporation Limited (Continued)

##### 11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 65 and multiplied by the actual product grade. The price of Low grade products (65%>iron grade≥59%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 62% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 62 and multiplied by the actual product grade. Scrap, billets, alloys and non-ferrous metal are purchased at market prices;

2. The steel products are determined according to the price of the sales of Angang Steel to third parties after deducting the commission fee of RMB20-35/ton; The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers.
3. Mainly at state prices, or operating costs plus 5% of gross profit margin.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Ansteel Group Corporation Limited (Continued)

11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

4. At state-fixed prices, or market prices, or not higher than 1.5% of the commissions (commission fee of raw fuel is RMB5/ton) or depreciation fees and maintenance costs, or labor, materials and management fees, or processing costs plus no more than 5% of the gross margin.
5. Steel products, molten iron and coke are mainly measured at selling prices based on the average prices charged to independent customers for the preceding month or market prices. The basis of the price of steel products offered to Angang Holding for development of new products is measured, if there is a market price, at the market price, and if not, at the cost plus a reasonable profit. Retired and idle assets are mainly measured at market prices or assessing prices.
6. At the state prices, or operating costs plus 5% of gross profit margin, not higher than 1.5% of the commissions, or market prices.



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

11.5.2 Related-party transactions with Pangang steel Vanadium and Titanium Co., Ltd

11.5.2.1 Related-party transactions on Procurement of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This Period</b>	Last Period
Raw materials	Market price	<b>219</b>	142
Total	–	<b>219</b>	142

11.5.3 Guarantee of loans

<b>Warrantor</b>	<b>Warrantee</b>	<b>Amount Guarantee</b>	<b>Starting date</b>	<b>Expiring date</b>	<b>Whether the guarantee has</b>
Ansteel Group Corporation Limited	The Company	500	24 May 2018	23 May 2019	Yes
Ansteel Group Corporation Limited	The Company	500	28 May 2018	27 May 2019	Yes



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

#### 11.5.4 Other related-party transactions

##### 11.5.4.1 Service from sales agent

For this period, the amount of domestic and export sales agent service provided Angang Trade were 97 million tons respectively (71 million tons respectively for last period).

##### 11.5.4.2 Related-party transactions with the joint ventures and the associates:

###### A. Statement of purchasing products

<b>Name of enterprise</b>	<b>This period</b>	Last period
ANSC – TKS	<b>97</b>	
<b>Total</b>	<b>97</b>	

###### B. Statement of selling products

<b>Name of enterprise</b>	<b>This period</b>	Last period
ANSC – TKS	<b>1,627</b>	1,982
Changchun FAM		13
Anshan Jingu	<b>15</b>	198
Guangzhou Automobile Steel	<b>205</b>	108
<b>Total</b>	<b>1,847</b>	2,301



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

#### 11.5.4 Other related-party transactions (Continued)

##### 11.5.4.2 Related-party transactions with the joint ventures and the associates: (Continued)

##### C. Loan, deposit and interest payment to Angang Finance

Items	Annual	Opening balance	Increment	Decrement	Closing balance	Terms of credit
	interest rate					
Loans	4.35	740		150	590	Credit loan
Deposit		1,669	116,978	117,455	1,192	

In this period, the Group's interest income of deposit in Angang Finance was RMB17 million (for the last period: RMB6 million) and the interest expenditure for loans from Angang finance was RMB13 million (for the last period: RMB8 million). After restate under the merger of same control, The highest daily deposit in Angang Finance in this period was RMB3,480 million (for the last period: 2,597 million). If the impact of the merger under the same control is not restated, the maximum daily deposit of the Group's deposits at Angang Finance Company in this period is 3,480 million yuan (2017: 1,990 million yuan).



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 11.5 Related-party transactions (Continued)

11.5.5 Remuneration of the directors, supervisors and senior management

<b>Items</b>	<b>This period</b>	Last period
Directors' fee		
Other remuneration:	<b>0.95</b>	1.46
Salaries, allowances and non-cash amount of interest	<b>0.69</b>	1.05
Performance-related bonus		
Other insurance and benefits	<b>0.13</b>	0.20
Pension plan contributions	<b>0.13</b>	0.21
Total	<b>0.95</b>	1.46



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

#### 11.5.5 Remuneration of the directors, supervisors and senior management (Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel.

Name	This period				Total	
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits		Pension plan contributions
<b>Executive directors:</b>						
Li Zhen		0.11		0.02	0.02	0.15
Ma Lianyong		0.11		0.02	0.02	0.15
Xie Junyong		0.11		0.02	0.02	0.15
Subtotal for executive directors		0.33		0.06	0.06	0.45
<b>Supervisors:</b>						
Yuan Peng		0.14		0.03	0.03	0.20
Subtotal for supervisors		0.14		0.03	0.03	0.20
<b>Senior Management:</b>						
Xu Shishuai		0.11		0.02	0.02	0.15
Meng Jinsong		0.11		0.02	0.02	0.15
Subtotal for senior management		0.22		0.04	0.04	0.30
Total		0.69		0.13	0.13	0.95



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.5 Related-party transactions (Continued)

#### 11.5.5 Remuneration of the directors, supervisors and senior management (Continued)

Name	Last period					Total
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	
<b>Executive directors:</b>						
Li Zhen		0.18		0.03	0.04	0.25
Ma Lianyong		0.15		0.03	0.03	0.21
Xie Junyong		0.15		0.03	0.03	0.21
Subtotal for executive directors		0.48		0.09	0.10	0.67
<b>Supervisors:</b>						
Yuan Peng		0.14		0.03	0.03	0.20
Subtotal for supervisors		0.14		0.03	0.03	0.20
<b>Senior Management:</b>						
Xu Shishuai		0.21		0.04	0.04	0.29
Meng Jinsong		0.22		0.04	0.04	0.30
Subtotal for senior management		0.43		0.08	0.08	0.59
Total		1.05		0.20	0.21	1.46

*Note:* None of the directors, supervisors or senior managers agreed to waive the payment agreement in this year.

Top five employees by remuneration involved three directors, one supervisor and one senior manager (three directors and two senior managers for the last period), and whose payment are set out in detail above.



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.6 Balances of related-party transactions

#### 11.6.1 Accounts receivable

Items	Related party	30 June 2019	31 December 2018
Accounts receivable	Angang Group Corporation Limited	4	46
Accounts receivable	ANSC – TKS	17	11
Accounts receivable	Guangzhou automotive steel		1
Accounts receivable	Angang Trade	610	508
Accounts receivable	Angang Cast Steel Co., Ltd	71	55
Accounts receivable	Angang Steel Rope Co., Ltd	67	54
Accounts receivable	Angang Engineering Technology Development Co., Ltd	163	137
Accounts receivable	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd		1
Accounts receivable	Angang Mining Co.	1	2
Accounts receivable	Pangang Group Xichang Steel and Vanadium Co., Ltd.	1	2
Accounts receivable	Angang Weifang	5	5
Accounts receivable	Angang Group Information Industry Co., Ltd	7	4
Accounts receivable	Anshan Yingkou Harbor co., LTD	1	
Accounts receivable	Anshan Jidong Cement Co., Ltd	5	
Accounts receivable	Other Related Parties	1	1
<b>Total</b>		<b>953</b>	827
Other receivables	Guangzhou Automotive Steel		33
Other receivables	Other Related Parties	1	
<b>Total</b>		<b>1</b>	33



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.6 Balances of related-party transactions (Continued)

#### 11.6.1 Accounts receivable (Continued)

Items	Related party	30 June 2019	31 December 2018
Prepayment	ANSC – TKS	4	17
Prepayment	Guangzhou Automotive Steel	51	39
Prepayment	Angang Trade	669	443
Prepayment	Angang Engineering Technology Development Co., Ltd	7	3
Prepayment	Angang Group Information Industry Co., Ltd	3	3
Prepayment	Angang Cold Rolled Steel Plate Co., Ltd. Putian		26
Prepayment	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	58	9
Prepayment	Germany's neighboring Lugang (Anshan) Co., Ltd.	33	30
Prepayment	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	1	2
Prepayment	Angang Auto Transport Co., Ltd		3
Prepayment	Pangang Chengdu Auto Parts Co., Ltd.	1	
Prepayment	Pangang Trade	2	
Total		829	576

*Note:* No provision for bad debts has been made for creditor's rights.



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.6 Balances of related-party transactions (Continued)

#### 11.6.2 Accounts payable

Items	Related party	30 June 2019	31 December 2018
Accounts payable	Angang Group Corporation Limited	9	20
Accounts payable	ANSC – TKS	102	103
Accounts payable	ANSC – Dachuan	65	42
Accounts payable	Anshan Jingu		4
Accounts payable	Falan Packing	8	10
Accounts payable	Angang Steel Rope Co., LTD	2	3
Accounts payable	Angang House Property Construction		11
Accounts payable	Angang Engineering Technology Development Co., Ltd	83	96
Accounts payable	Anshan Iron and Steel Group Corporation Labor Health Research Institute		4
Accounts payable	Angang Trade	1,334	2,190
Accounts payable	Angang Auto Transport Co., Ltd	4	9
Accounts payable	Angang Group Zhongyuan Industry Development Co., Ltd.	80	79
Accounts payable	Anshan Yingkou Harbor co., LTD	3	2
Accounts payable	Angang Cast Steel Co., Ltd	4	4
Accounts payable	Angang Refractory Co., Ltd	5	10
Accounts payable	Germany's neighboring Lugang (Anshan) Co., Ltd.	193	48
Accounts payable	Pangang Trade	14	15
Accounts payable	Pangang Group Iron and Vanadium Titanium Resources Co. Ltd		113
Accounts payable	Angang Mining	157	29
Accounts payable	Angang Group Information Industry Co., Ltd	16	39
Accounts payable	Angang Beckerini Water Treatment Co., Ltd.	5	
Accounts payable	Future Iron and Steel Research Institute Co., Ltd.	1	
Accounts payable	Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd	150	120
Accounts payable	Other Related Parties	2	1
<b>Total</b>		<b>2,237</b>	<b>2,952</b>



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.6 Balances of related-party transactions (Continued)

#### 11.6.2 Accounts payable (Continued)

Items	Related party	30 June 2019	31 December 2018
Other payable	Angang Group Corporation Limited	8	81
Other payable	Angang Group Zhongyuan Industry Development Co., Ltd.	27	28
Other payable	Angang House Property Construction	5	4
Other payable	Angang Engineering Technology Development Co., Ltd	442	228
Other payable	Angang Trade	5	5
Other payable	Angang Group Information Industry Co., Ltd	92	121
Other payable	Angang Mining	6	12
Other payable	Angang Auto Transport Co., Ltd		2
Other payable	Anshan Iron and Steel Group Construction Supervision Co., Ltd.	2	2
Other payable	Germany's neighboring Lugang (Anshan) Co., Ltd.	7	6
Other payable	Angang Engineering Technology Co., Ltd	3	3
Other payable	Angang Beckerini Water Treatment Co., Ltd.	1	
Other payable	Angang Steel Rope Co., LTD	4	
Other payable	Angang Refractory Co., Ltd	1	
Other payable	Anshan Iron and Steel Metallurgical Furnace Technology Co., Ltd	4	5
<b>Total</b>		<b>607</b>	<b>497</b>



## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 11.6 Balances of related-party transactions (Continued)

#### 11.6.2 Accounts payable (Continued)

Items	Related party	30 June 2019	31 December 2018
Contract liabilities	ANSC – TKS	14	18
Contract liabilities	Guangzhou Automotive Steel	1	17
Contract liabilities	Anshan Jingu	1	12
Contract liabilities	Anshan Jidong Cement Co., Ltd		1
Contract liabilities	Falan Packing	5	8
Contract liabilities	Angang Engineering Technology Development Co., Ltd	19	21
Contract liabilities	Angang Group Zhongyuan Industry Development Co., Ltd.	36	77
Contract liabilities	Pangang Trade	6	10
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	7	3
Contract liabilities	Angang Trade	19	40
Contract liabilities	Angang Mining	10	9
Contract liabilities	Angang Refractory Co., Ltd		1
Contract liabilities	Germany's neighboring Lugang (Anshan) Co., Ltd.	45	198
Contract liabilities	Ansteel Group	11	
Contract liabilities	Pangang Group Chengdu Steel and Vanadium Co., Ltd.	1	
Contract liabilities	Panzhong Yihong Metal Products (Chongqing) Co., Ltd.	1	
Contract liabilities	Other Related Parties	3	1
<b>Total</b>		<b>179</b>	<b>416</b>



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 11.6 Balances of related-party transactions (Continued)

##### 11.6.3 Other non-current assets

Items	Related party	30 June 2019	31 December 2018
Other non-current assets	Angang Engineering Technology Development Co., Ltd	322	293
Other non-current assets	Angang Trade	483	337
Other non-current assets	Angang Group Information Industry Co., Ltd	43	42
Other non-current assets	Other Related Parties	1	
Total		849	672

### 12. SHARE-BASED PAYMENT

As of 30 June 2019, there is no share-based payment transaction need to be disclosed.



## 13. COMMITMENTS

### 13.1 Significant commitment

Items	30 June 2019	31 December 2018
Investment contracts entered but not yet performed or performed partially		
Construction and renovation contracts entered but not yet performed or performed partially	1,197	2,977
Total	1,197	2,977

### 13.2 Contingencies

As of 30 June 2019, there were no contingencies need to be disclosed

## 14. SUBSEQUENT EVENTS

As of 30 June 2019, there were no contingencies need to be disclosed.



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 15. OTHER SIGNIFICANT INSTRUCTIONS

In the process of selling goods, part of the Group's payments are made by way of bank acceptance notes issued by financial institutions. As of 30 June 2019, the bank acceptance notes of 282 million held by the Group were past but not paid, representing 0.54% of the closing balance of net assets. As of 30 June 2019, there were still discounted bank acceptance notes of 634 million that may be claimed by subsequent discounters (of which: unexpired 77 million yuan, expired 557 million yuan), representing 1.21% of the closing balance of net assets. After the occurrence of delay in repayment of notes, the Group has initiated rounds of discussions on the solutions with the parties concerned, coordinated and implemented the repayment proposal in a timely manner, and has so far obtained the letters of repayment commitment remote-holder customers of the notes and relevant financial institutions issuing the bank acceptance notes. The aforesaid parties concerned are making repayments for the overdue notes payable in succession.

## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

### 16.1 Accounts Receivable

#### 16.1.1 Classification of Accounts Receivable

Items	30 June 2019				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	68	1.69	67	98.53	1
Account receivable for which bad debt is prepared based on group combination	3,967	98.31			3,967
including: Risk-free group combination	2,543	63.02			2,543
Risk group combination on the basis of aging-matrix	1,424	35.29			1,424
<b>Total</b>	<b>4,035</b>	<b>100.00</b>	<b>67</b>	<b>1.66</b>	<b>3,968</b>



## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.1 Accounts Receivable (Continued)

#### 16.1.1 Classification of Accounts Receivable (Continued)

Items	31 December 2018				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	68	2.06	67	98.53	1
Account receivable for which bad debt is prepared based on group combination	3,238	97.94			3,238
including: Risk-free group combination	2,231	67.49			2,231
Risk group combination on the basis of aging-matrix	1,007	30.45			1,007
<b>Total</b>	<b>3,306</b>	<b>100.00</b>	<b>67</b>	<b>2.03</b>	<b>3,239</b>



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.1 Accounts Receivable (Continued)

16.1.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2019			
	Book Value	Bad Debt		Reason
		Provision	Percentage (%)	
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	67	66	99	Business is in trouble. It does not have repayment ability
Others	1	1	100	The production line is discontinued, etc
<b>Total</b>	<b>68</b>	<b>67</b>		

16.1.3 Accounts Receivable for which bad debts prepared based on aging-matrix risk group combination

Aging	30 June 2019			31 December 2018		
	Book Value	Bad Debt		Book Value	Bad Debt	
		Provision	Percentage (%)		Provision	Percentage (%)
Within 1 year	1,310		0	1,002		0
1 to 2 years	110		3.2	5		3.2
2 to 3 years	4		9.9			9.9
3 to 4 years			28.9			28.9
4 to 5 years			37.7			37.7
Over 5 years			100.00			100.00
<b>Total</b>	<b>1,424</b>			<b>1,007</b>		<b>-</b>



## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.1 Accounts Receivable (Continued)

16.1.4 Accounts Receivable classified by aging

Aging	30 June 2019	31 December 2018
Within 1 year	3,772	3,181
1 to 2 years	124	17
2 to 3 years	24	16
3 to 4 years	27	17
4 to 5 years	68	74
Over 5 years	20	1
Total	4,035	3,306

16.1.5 Bad debt provision at the end of the period

Type	31 December 2018	Increase/Decrease		30 June 2019
		Bad debt provision	Resale or Reverse verification	
Accounts receivable	67			67



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.1 Accounts Receivable (Continued)

16.1.6 The condition of accounts receivable of the top five debtors by the balances at the end of the period

The total amount of top five accounts receivable according to closing balance of debtors of the Group for the year was RMB2,082 million, which accounted for 51.60% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to 0.

### 16.2 Other receivables

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Interests receivable		
Dividends receivable		
Other receivables	<b>67</b>	46
<b>Total</b>	<b>67</b>	46



## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.2 Other receivables (Continued)

#### 16.2.1 Classification of other receivables

Items	30 June 2019				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	72	100.00	5	6.94	67
including: Risk-free group combination	56	77.78			56
Risk group combination on the basis of aging-matrix	16	22.22	5	31.25	11
<b>Total</b>	<b>72</b>	<b>100.00</b>	<b>5</b>	<b>6.94</b>	<b>67</b>



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.2 Other receivables (Continued)

#### 16.2.1 Classification of other receivables (Continued)

Items	31 December 2018				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	51	100.00	5	9.80	46
including: Risk-free group combination	33	64.71			33
Risk group combination on the basis of aging-matrix	18	35.29	5	27.78	13
<b>Total</b>	<b>51</b>	<b>100.00</b>	<b>5</b>	<b>9.80</b>	<b>46</b>



## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.2 Other receivables (Continued)

#### 16.2.2 Other receivables classified by nature

Type	30 June 2019	31 December 2018
Petty cash	10	13
Angang Guangzhou Automobile Steel Co., Ltd. loans		33
Loan to the subsidiary	56	
Others	6	5
Total	72	51

#### 16.2.3 Other receivables classified by aging

Aging	30 June 2019	31 December 2018
Within 1 year	67	38
1 to 2 years	1	1
2 to 3 years		7
3 to 4 years	4	
4 to 5 years		
Over 5 years		5
Total	72	51



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.2 Other receivables (Continued)

16.2.4 Bad debt provision at the end of the period

Type	31 December 2018	Increase/Decrease		30 June 2019
		Increase/ Decrease	Resale or Reverse verification	
Other receivables	5			5

16.2.5 The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group for the year was RMB69 million, which accounted for 95.83% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB1 million.

### 16.3 Long-term equity investment

16.3.1 Long-term equity investment

The invested entity	30 June 2019			31 December 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Percentage Book value
Investments in subsidiaries	8,506		8,506	8,506		8,506
Investments in joint ventures and associates	2,763		2,763	2,769		2,769
Total	11,269		11,269	11,275		11,275



## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.3 Long-term equity investment (Continued)

#### 16.3.2 Investments in subsidiaries

Investments in subsidiaries	31 December		30 June 2019	The closing date of	
	2018	Increment		Decrement	Provision for impairment
Angang Wuhan	237		237		
Angang Hefei	102		102		
Angang Guangzhou	90		90		
Shenyang Trade	121		121		
Shanghai Trade	103		103		
Tianjin Trade	103		103		
Guangzhou Trade	115		115		
Angang Shenyang	151		151		
Angang Tianjin	27		27		
Angang Dalian	266		266		
Ningbo Trade	6		6		
yantai Trade	100		100		
Angang Kobelco	357		357		
ASPD – CC	332		332		
Technology and Development	50		50		
Angang Zhengzhou	149		149		
Angang Chaoyang	3,545		3,545		
Energy and Technology	33		33		
Chemical Technology	2,500		2,500		
FAW Angang	119		119		
<b>Total</b>	<b>8,506</b>		<b>8,506</b>		



# Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.3 Long-term equity investment (Continued)

16.3.3 Investments for the joint ventures and associates

Please refer to Note6.9 (except Chaoyang Zhongan Water Co., Ltd).

### 16.4 Operating income and operating cost

16.4.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	<b>48,672</b>	<b>44,805</b>	46,925	39,204
Other operating	<b>195</b>	<b>168</b>	98	81
<b>Total</b>	<b>48,867</b>	<b>44,973</b>	47,023	39,285

*Note:* The Group is classified into an operating segment based on the type of business: production and sale of steel products.

16.4.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	<b>45,118</b>	44,070
Foreign exchange income from outside borders	<b>3,749</b>	2,953
<b>Total</b>	<b>48,867</b>	47,023



## 16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 16.4 Operating income and operating cost (Continued)

16.4.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirm at a certain point	<b>48,867</b>	47,023
Total	48,867	47,023

### 16.5 Investment income

Items	This period	Last period
Long-term equity investment income measured at equity method	<b>312</b>	
Long-term equity investment income measured at cost method	<b>69</b>	154
Investment income of other investments in equity instruments	<b>9</b>	9
Others	<b>(4)</b>	19
Total	386	182



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 17. NET CURRENT ASSETS

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Current assets	<b>26,101</b>	26,908
Less: Current liabilities	<b>31,866</b>	32,747
Net current assets/(liabilities)	<b>(5,765)</b>	(5,839)

### 18. TOTAL ASSETS LESS CURRENT LIABILITIES

<b>Items</b>	<b>30 June 2019</b>	31 December 2018
Total assets	<b>89,348</b>	90,024
Less: Current liabilities	<b>31,866</b>	32,747
Total assets less current liabilities	<b>57,482</b>	57,277



## 19. SUPPLEMENTARY DOCUMENTS

### 19.1 Non-recurring gains and losses

Items	This period	Last period
Gains/losses from disposal of non-current assets	<b>(19)</b>	(41)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies	<b>37</b>	22
Net profit or loss of the subsidiary from business combination under the same control between the beginning of the financial year and the merger date		943
Gain or loss from the changes of fair value of financial assets held for trade	<b>10</b>	(8)
Changes in fair value of other non-current liabilities (embedded in derivative financial instruments)	<b>47</b>	
Other non-operating income/loss not listed above	<b>3</b>	2
Subtotal	<b>78</b>	918
Less: Effect on taxation	<b>20</b>	(6)
Effect on minority interest (after tax)		
Total	<b>58</b>	924



## Notes to the Financial Statements (Continued)

30 June 2019 (Expressed in million RMB unless otherwise indicated)

### 19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

#### 19.1 Non-recurring gains and losses (Continued)

The Company's confirmation of non-recurring profit and loss items is carried out in accordance with the provisions of the Interpretive Announcement No. 1 of the Company Information Disclosure of Public Offering Securities – Non-recurring Gains and Losses (CSRC Announcement [2008] No. 43).

#### 19.2 Return on equity (ROE) and Earnings per Share (EPS)

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	2.70	0.152	0.146
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	2.59	0.145	0.140



## 19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

### 19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

The above data is calculated using the following formula:

- (1) Weighted average return on equity

$$\text{Weighted average return on equity} = \frac{P_0}{(E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)}$$

$P_0$  corresponds to the net profit attributable to the ordinary shareholders of the company and the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses;  $NP$  corresponds to the net profit attributable to the company's common shareholders;  $E_0$  corresponds to the net assets at the beginning of the period attributable to the ordinary shareholders of the company;  $E_i$  corresponds to the newly added net assets attributable to ordinary shareholders of the company, such as new shares or debt-to-equity swaps during the reporting period;  $E_j$  corresponds to the net assets attributable to ordinary shareholders of the company, such as repurchase or cash dividends during the reporting period;  $M_0$  corresponds to the number of months in the reporting period;  $M_i$  corresponds to the cumulative number of months from the next month of the new net assets to the end of the reporting period;  $M_j$  is the cumulative number of months from the second month of the net assets reduction to the end of the reporting period;  $E_k$  corresponds to the change or decrease in net assets attributable to ordinary shareholders of the company due to other transactions or events;  $M_k$  corresponds to the cumulative number of months from the next month of the change in other net assets to the end of the reporting period.



## 19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

### 19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

The above data is calculated using the following formula: (Continued)

(2) Basic earnings per share

$$\text{Basic earnings per share} = \frac{P_0}{S}, \quad S = \frac{S_0 + S_1 + S_i \times M_i}{M_0 - S_j \times M_j - S_k}$$

$P_0$  corresponds to the net profit attributable to ordinary shareholders of the company or net profit attributable to ordinary shareholders after deducting non-recurring gains and losses;  $S$  corresponds to the weighted average number of ordinary shares outstanding;  $S_0$  corresponds to the total number of shares at the beginning of the period;  $S_1$  is the increase in the number of shares due to the conversion of public reserve funds into share capital or stock dividends during the reporting period;  $S_i$  refers to increasing the number of shares due to the issuance of new shares or debt-to-equity swaps during the reporting period;  $S_j$  refers to the number of shares reduced due to repurchase during the reporting period;  $S_k$  refers to the number of share compressing in the reporting period;  $M_0$  corresponds to the number of months in the reporting period;  $M_i$  corresponds to the cumulative number of months from the next month of the new net assets to the end of the reporting period;  $M_j$  is the cumulative number of months from the second month of the net assets reduction to the end of the reporting period.



## 19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

### 19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

The above data is calculated using the following formula: (Continued)

(3) Diluted earnings per share

Diluted earnings per share =  $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$

P1 refers to the net profit attributable to the ordinary shareholders of the company or the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses, and considering the impact of dilutive potential ordinary shares, adjusted according to the ASBE and relevant regulations. In calculating the diluted earnings per share, the company should consider the effect of all dilutive potential ordinary shares on the net profit attributable to the company's common shareholders or the net profit attributable to the company's common shareholders and the weighted average number of shares after deducting non-recurring gains and losses. Diluted earnings per share are included in descending order of dilution until the diluted earnings per share reaches a minimum.



## Documents Available for Inspection

1. Financial statements signed by the Responsible Officer, Chief Accountant and Comptroller of the Company and with seal affixed;
2. Originals of all documents and manuscripts of announcements disclosed by the Company on the website designated by China Securities Regulatory Commission during the Reporting Period;
3. Text of the Articles of Association of the Company;
4. Interim report of the Company disclosed in the Hong Kong stock market;

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited\* situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC.

**Angang Steel Company Limited\***

*The Board*

30 August 2019

*Note:* This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any inconsistency between the two versions.



鞍 鋼 股 份 有 限 公 司  
ANGANG STEEL COMPANY LIMITED\*